

# **SEARCHLIGHT INNOVATIONS INC.**

## **Condensed Interim Financial Statements For The Three Months Ended March 31, 2022**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**SEARCHLIGHT INNOVATIONS INC.**

## Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|                                                   | March 31,<br>2022 | December 31,<br>2021 |
|---------------------------------------------------|-------------------|----------------------|
| <b>Assets</b>                                     |                   |                      |
| Current Assets                                    |                   |                      |
| Cash                                              | \$ 41,362         | \$ 69,193            |
| Deferred financing costs (Note 11)                | 15,000            | 15,000               |
| <b>Total Assets</b>                               | <b>\$ 56,362</b>  | <b>\$ 84,193</b>     |
| <b>Liabilities and Shareholders' Equity</b>       |                   |                      |
| Current Liabilities                               |                   |                      |
| Accounts payable and accrued liabilities          | \$ 27,625         | \$ 17,211            |
| Shareholders' Equity                              |                   |                      |
| Share capital (Note 6)                            | 105,000           | 100,000              |
| Deficit                                           | (76,263)          | (33,018)             |
|                                                   | 28,737            | 66,982               |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 56,362</b>  | <b>\$ 84,193</b>     |

Nature of business and continuing operations (Note 1)

Proposed transaction (Note 11)

Approved on Behalf of the Board on May 27, 2022:

"Fayyaz Alimohamed"

Fayyaz Alimohamed - CEO/CFO/Director

"Frederic Leigh"

Frederic Leigh - Director

The accompanying notes are an integral part of these financial statements.

**SEARCHLIGHT INNOVATIONS INC.**

## Condensed Interim Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|                                                                                              | Three months ended<br>March 31, 2022 |
|----------------------------------------------------------------------------------------------|--------------------------------------|
| <b>Expenses</b>                                                                              |                                      |
| Bank charges                                                                                 | \$ 180                               |
| Filing fees                                                                                  | 15,565                               |
| Professional fees (Note 8)                                                                   | 27,500                               |
| <b>Loss and comprehensive loss for the period</b>                                            | <b>\$ 43,245</b>                     |
| <b>Weighted average number of common shares outstanding –<br/>basic and diluted (Note 7)</b> | <b>2,073,333</b>                     |
| <b>Basic and diluted loss per share</b>                                                      | <b>\$ (0.02)</b>                     |

The accompanying notes are an integral part of these financial statements.

**SEARCHLIGHT INNOVATIONS INC.**

## Condensed Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|                                                   | Share Capital    |                  |                  | Total            |
|---------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                   | Number           | Amount           | Deficit          | Shareholders'    |
|                                                   | (Note 6)         |                  |                  | Equity           |
| <b>Balance, (incorporation) – October 8, 2021</b> | <b>1</b>         | <b>\$ 1</b>      | <b>\$ -</b>      | <b>\$ 1</b>      |
| Repurchased by the Company (Note 6)               | (1)              | (1)              | -                | (1)              |
| Common shares issued (Note 6)                     | 2,000,000        | 100,000          | -                | 100,000          |
| Loss for the period                               | -                | -                | (33,018)         | (33,018)         |
| <b>Balance, December 31, 2021</b>                 | <b>2,000,000</b> | <b>100,000</b>   | <b>(33,018)</b>  | <b>66,982</b>    |
| Common shares issued (Note 6)                     | 100,000          | 5,000            | -                | 5,000            |
| Loss for the period                               | -                | -                | (43,245)         | (43,245)         |
| <b>Balance, March 31, 2022</b>                    | <b>2,100,000</b> | <b>\$105,000</b> | <b>\$ 76,263</b> | <b>\$ 28,737</b> |

The accompanying notes are an integral part of these financial statements.

**SEARCHLIGHT INNOVATIONS INC.**

## Condensed Interim Statement of Cash Flows

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

|                                               | Three Months<br>Ended<br>March 31, 2022 |
|-----------------------------------------------|-----------------------------------------|
| <b>Cash provided by (used for):</b>           |                                         |
| <b>Operating Activities:</b>                  |                                         |
| Loss for the period                           | \$ (43,245)                             |
| Net change in non-cash working capital items: |                                         |
| Accounts payable and accrued liabilities      | 10,414                                  |
| <b>Net cash used in operating activities</b>  | <b>(32,831)</b>                         |
| <b>Financing Activity:</b>                    |                                         |
| Proceeds from share issuance (Note 6)         | 5,000                                   |
| <b>Net cash used in financing activities</b>  | <b>5,000</b>                            |
| <b>Change in cash for the period</b>          | <b>(27,831)</b>                         |
| Cash, beginning of the period                 | 69,193                                  |
| <b>Cash, end of the period</b>                | <b>\$ 41,362</b>                        |
| <b>Supplemental information:</b>              |                                         |
| Interest paid                                 | \$ -                                    |
| Income taxes                                  | \$ -                                    |

There were no significant non-cash transactions during the three months ended March 31, 2022.

The accompanying notes are an integral part of these financial statements.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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**1. NATURE OF BUSINESS AND CONTINUING OPERATIONS**

SEARCHLIGHT Innovations Inc. (the “Company”) was incorporated on October 8, 2021 under the laws of British Columbia and is applying to be a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V” or the “Exchange”) Policy 2.4.

Since incorporation on October 8, 2021, the Company has had no active business operations. As a CPC, the Company’s business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (“QT”), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V.

As a CPC, the proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Company. These restrictions will apply until completion of a QT by the Company as defined under the policies of the Exchange.

The Company has an accumulated deficit of \$76,263 as at March 31, 2022 (December 31, 2021 - \$33,018). The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, COVID-19 has not had an adverse impact on the Company.

The head office, principal address and the records and registered office is located at 2300 – 550 Burrard Street, Vancouver, BC, V6C 2B5.

The condensed interim financial statements of the Company for the three months ended March 31, 2022 were approved and authorized for issue by the Board of Directors on May 27, 2022.

**SEARCHLIGHT INNOVATIONS INC.****Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2022****(Expressed in Canadian dollars)**

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**2. STATEMENT OF COMPLIANCE**

The Company has prepared its condensed interim financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Audited Financial Statements of the Company for the year ended December 31, 2021.

**3. BASIS OF PRESENTATION**

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**4. SIGNIFICANT ACCOUNTING POLICIES****(a) Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Share capital**

Common shares are classified as share capital. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. Any transaction costs incurred prior to the closing of a financing will be classified on the balance sheet as deferred financing costs until the closing of the associated financing.

The proceeds from the issue of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

**(c) Basic and diluted loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**(d) Financial instrument measurement and valuation**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

|         |                                                                                                                    |
|---------|--------------------------------------------------------------------------------------------------------------------|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities;                                    |
| Level 2 | Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and |
| Level 3 | Inputs that are not based on observable market data.                                                               |

The measurement of the Company's financial instruments is disclosed in Note 10 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

**Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

## SEARCHLIGHT INNOVATIONS INC.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Financial instrument measurement and valuation (continued)

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of profit or loss in the period.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

**Financial liabilities and equity:** Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

The Company classifies its financial liabilities into one of two categories as follows:

**Fair value through profit or loss (FVTPL) –** This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

**Amortized cost –** This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Significant accounting judgements and estimates**

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

**(f) Standards and interpretations issued but not yet effective**

At the date of authorization of these financial statements, the IASB has not issued any new or revised standards expected to have a material impact on the results and financial position of the Company when adopted.

**(g) Deferred financing costs**

Deferred financing costs consist of professional, listing and filing fees related to the Company's initial public offering process (Note 11). The costs will be offset to share capital on the completion of the prospectus or charge to operations if the financing does not process.

**5. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of March 31, 2022, \$Nil was due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the three months ended March 31, 2022, \$Nil was recorded as compensation costs for key management personnel and companies related to them.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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**6. SHARE CAPITAL****(a) Authorized**

Unlimited number of common shares without par value.

**(b) Issued and outstanding**

During the three months ended March 31, 2022, the Company issued common shares as follows:

- On January 24, 2022, the Company completed a private placement financing and issued 100,000 common shares of the Company at a price of \$0.05 per share for total proceeds of \$5,000.

During the period ended December 31, 2021, the Company issued common shares as follows:

- The Company issued 1 common share for nominal consideration upon incorporation. The Company subsequently repurchased this share for the same amount.
- On December 13, 2021, the Company completed a private placement financing and issued 2,000,000 common shares of the Company at a price of \$0.05 per share for total proceeds of \$100,000.

**(c) Escrowed shares**

In connection with the Company's proposed transaction (Note 11), 2,100,000 common shares issued at \$0.05 per share are held in escrow pursuant to the requirements of the Exchange. Twenty five percent of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (as defined in the policies of the Exchange) (the "Initial Release") and an additional twenty five percent will be released on each of the dates which are six, twelve and eighteen months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers of the Company prior to completion of the QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

All common shares acquired in the secondary market prior to completion of a QT by a Control Person (as defined in the policies of the Exchange), are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be subject to escrow.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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**6. SHARE CAPITAL (continued)****(d) Stock options**

During the three months ended March 31, 2022, the Company's board of directors adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The Stock Option Plan remains subject to the approval of the Exchange. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must be deposited in escrow until the final exchange bulletin relating to a QT is issued.

**7. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the period ended March 31, 2022 was based on the loss attributable to common shareholders of \$43,245 and the weighted average number of common shares outstanding of 2,073,333.

**8. PROFESSIONAL FEES**

The Company incurred \$27,500 in professional fees during the period, which consists of \$2,500 in accounting and audit fees and \$25,000 in legal fees.

## **SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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### **9. MANAGEMENT OF CAPITAL**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Company. These restrictions apply until completion of a QT by the Company as defined under the policies of the Exchange.

### **10. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at March 31, 2022 the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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**10. FINANCIAL INSTRUMENTS (continued)****Market Risk (con't)****(iii) Price rate risk**

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

**Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At March 31, 2022 the Company has no sources of revenue but has a cash balance of \$41,362 to settle current liabilities of \$27,625. As such, management feels the Company has sufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year. The Company's exposure to liquidity risk is currently negligible.

**Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2022 the Company's financial instruments consist of cash, accounts payable and accrued liabilities. Cash is classified as fair value using Level 1 measurement. Accounts payable and accrued liabilities are classified as amortized cost. The fair value of accounts payable and accrued liabilities approximates its carrying value because of the short-term nature of the instruments.

**SEARCHLIGHT INNOVATIONS INC.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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**11. PROPOSED TRANSACTION**

The Company filed its' prospectus on May 12, 2022 and is in the process of completing its initial public offering ("IPO"). On December 29, 2021, the Company entered into an engagement agreement with Research Capital Corp. (the "Agent") in relation to its IPO whereby it proposes to issue to the public 3,000,000 common shares at \$0.10 per common share for total proceeds of \$300,000 (the "Offering"). The Agent will be paid a cash commission of \$30,000 and will be issued agent's options to acquire up to 300,000 common shares of the Company at \$0.10 per common share for a period of 24 months from the day the common shares of the Company are listed on the Exchange. The Company is also required to reimburse the Agent's reasonable expenses, including legal fees, which will not exceed \$15,000, related to the Offering. The retainer in the amount of \$15,000 for estimated legal fees were paid as of December 31, 2021 and have been included in deferred financing costs (Note 4g). The purpose of the IPO is to provide the Company with funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. Immediately prior to the listing on the Exchange, the Company also proposes to grant an aggregate of 510,000 stock options to directors and officers of the Company, exercisable at \$0.10 per common share for a period of ten years from the date of grant.