# ALPHA COGNITION INC.
**(formerly Crystal Bridge Enterprises Inc.)**
**(A Capital Pool Company)**

**Condensed Interim Financial Statements**

**For the three and six months ended January 31, 2021 and 2020**
**(Expressed in Canadian Dollars - Unaudited)**

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

Under National Instrument 51-102, if an auditor has not performed a review of the condensed 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 condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**ALPHA COGNITION INC.**
**(formerly CRYSTAL BRIDGE ENTERPRISES INC.)**
**(A Capital Pool Company)**
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

| | January 31, 2021 | July 31, 2020 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash (Note 4) | 669,809 | 800,480 |
| Restricted cash (Note 3) | 941,400 | - |
| Prepaid expenses | 2,475 | 10,155 |
| **TOTAL ASSETS** | **1,613,684** | **810,635** |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 5) | 105,470 | 38,269 |
| Refundable deposits (Note 3) | 941,400 | - |
| | 1,046,870 | 38,269 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 6) | 940,761 | 931,017 |
| Reserves (Note 7) | 58,980 | 69,813 |
| Accumulated deficit | (432,927) | (228,464) |
| | 566,814 | 772,366 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,613,684** | **810,635** |

**Nature and continuance of operations** (Note 1)
**Subsequent event** (Note 11)

These condensed interim financial statements are authorized for issuance by the Board of Directors on April 1, 2021.

**On behalf of the Board of Directors:**

| “Kenneth Cawkell” | “Rajeev Bakshi” |
|---|---|
| Director, CEO | Director |

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

**ALPHA COGNITION INC.**
**(formerly CRYSTAL BRIDGE ENTERPRISES INC.)**
**(A Capital Pool Company)**
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

| | For the three months ended January 31, | | For the six months ended January 31, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$** | **$** | **$** | **$** |
| **EXPENSES** | | | | |
| Advertising and promotion | 856 | - | 856 | - |
| Insurance | 2,475 | 2,250 | 4,950 | 4,500 |
| Office and general | 961 | 121 | 1,040 | 184 |
| Professional fees (Note 8) | 117,512 | 2,925 | 162,620 | 6,720 |
| Registrar and filing fees | 35,647 | 2,475 | 38,084 | 8,083 |
| Share based compensation (Note 8) | 1,744 | 4,081 | 4,493 | 12,560 |
| Travel and related | - | - | - | 1,943 |
| | (159,195) | (11,852) | (212,043) | (33,990) |
| Interest income | 780 | 3,193 | 1,998 | 6,455 |
| **NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD** | **(158,415)** | **(8,659)** | **(210,045)** | **(27,535)** |
| **BASIC AND DILUTED LOSS PER SHARE** | (0.10) | (0.01) | (0.13) | (0.02) |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** | 1,640,057 | 1,640,057 | 1,640,057 | 1,640,057 |

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

**ALPHA COGNITION INC.**
**(formerly CRYSTAL BRIDGE ENTERPRISES INC.)**
**(A Capital Pool Company)**
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

| | For the six months ended January 31, 2021 | 2020 |
|---|---|---|
| | **$** | **$** |
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | (210,045) | (27,535) |
| Adjustments for non-cash items | | |
| Share-based compensation | 4,493 | 12,560 |
| Changes in non-cash working capital item | | |
| Prepaids | 7,680 | 480 |
| Accounts payable and accrued liabilities | 67,201 | (20,977) |
| Cash used in operating activities | (130,671) | (35,472) |
| **FINANCING ACTIVITIES** | | |
| Share issuance costs recovery | - | 5,901 |
| Funds held in trust for private placement | (941,400) | - |
| Funds received for private placement | 941,400 | - |
| Cash provided by financing activities | - | 5,901 |
| **NET CHANGE IN CASH** | (130,671) | (29,571) |
| **CASH , BEGINNING OF PERIOD** | 800,480 | 871,332 |
| **CASH, ENDING OF PERIOD** | **669,809** | **841,761** |
| **Supplemental Cash Flow Information:** | | |
| Interest paid in cash | - | - |
| Income taxes paid in cash | - | - |
| **Non-cash transactions** | | |
| Reclassification of options cancelled | 5,582 | - |
| Reclassification of warrants expired | 9,744 | - |

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

**ALPHA COGNITION INC.**
**(formerly CRYSTAL BRIDGE ENTERPRISES INC.)**
**(A Capital Pool Company)**
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

| | | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of Shares Issued** | **Share Capital** | **Warrants** | **Share Options** | **Total** | **Accumulated Deficit** | **Total Shareholders' Equity** |
| | | **$** | **$** | **$** | **$** | **$** | **$** |
| **Balance, July 31, 2019** | **1,640,057** | **925,116** | **9,744** | **39,435** | **49,179** | **(144,405)** | **829,890** |
| Share issuance costs recovery | - | 5,901 | - | - | - | - | 5,901 |
| Share-based compensation | - | - | - | 12,560 | 12,560 | - | 12,560 |
| Comprehensive loss for the period | - | - | - | - | - | (27,535) | (27,535) |
| **Balance, October 31, 2019** | **1,640,057** | **931,017** | **9,744** | **51,995** | **61,739** | **(171,940)** | **820,816** |
| Share-based compensation | - | - | - | 8,074 | 8,074 | - | 8,074 |
| Comprehensive loss for the period | - | - | - | - | - | (56,524) | (56,524) |
| **Balance, July 31, 2020** | **1,640,057** | **931,017** | **9,744** | **60,069** | **69,813** | **(228,464)** | **772,366** |
| Finders' warrants expired | - | 9,744 | (9,744) | - | (9,744) | - | - |
| Share options cancelled | - | - | - | (5,582) | (5,582) | 5,582 | - |
| Share-based compensation | - | - | - | 4,493 | 4,493 | - | 4,493 |
| Comprehensive loss for the period | - | - | - | - | - | (210,045) | (210,045) |
| **Balance, January 31, 2021** | **1,640,057** | **940,761** | **-** | **58,980** | **58,980** | **(432,927)** | **566,814** |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Alpha Cognition Inc. (the "Company") (formerly Crystal Bridge Enterprises Inc.) was incorporated under the Business Corporations Act (British Columbia) on November 15, 2017. The Company completed the change of name on March 18, 2021. On September 18, 2018, the Company completed its Initial Public Offering (the "Offering") to be classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On September 21, 2018, the Company began trading its shares on the TSX-V under the trading symbol "CRYS". The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities (the "Qualifying Transaction" ("QT")).

The Company's head office, principal address and registered and records office is located at 439 Helmcken Street, Vancouver, British Columbia, Canada, V6B 2E6.

In March 2021, the Company completed a share consolidation on the basis of one new post-consolidation common share for every 7.14 pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

These condensed interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has not generated any revenues to date and is currently unable to self-finance any future operations. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed interim financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

The Company has not generated revenues from its operations to date and as at January 31, 2021, had a deficit of $432,927 (July 31, 2020 - $228,464) which has been primarily financed by equity. Its continued existence will be dependent on equity financing on terms which are acceptable to the Company.

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. The Company's operations have not been drastically impacted by the pandemic. Management of the Company continues to monitor the situation and is following the protocols and rules set in place by the provincial and federal governments.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these condensed interim financial statements.

**Statement of compliance**

International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended July 31, 2020.

**Basis of presentation**

These condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and restricted cash are measured at FVTPL.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Impairment*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Financial liabilities*

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and refundable deposits are classified at amortized cost.

As at January 31, 2021 and July 31, 2020, the Company did not have any derivative financial liabilities.

### Significant estimates and judgments

The preparation of condensed interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. These condensed interim financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

The preparation of condensed interim financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's condensed interim financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.
- The valuation of share-based compensation, where the Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.
- The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood or utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Accounting pronouncements not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. The Company did not identify any standards that may have any impact on the Company's condensed interim financial statements during the period.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's condensed interim financial statements.

## 3. QUALIFYING TRANSACTION

On October 27, 2020, the Company entered into an Arrangement Agreement with Alpha Cognition Canada Inc. ("ACI") whereby the Company would acquire 100% of the shares of ACI by issuing to the shareholders of ACI post-consolidated common shares of the Company ("CPC Share") at a deemed price of $1.60 per common share for every one ACI share held by each ACI shareholder (the "Transaction"). Certain US resident ACI shareholders have agreed to receive a restricted voting share in place of a CPC Share which is equivalent to a CPC Share except that it will not be counted in a shareholder vote for the election of directors. In addition, holders of Class C Preferred shares of ACI will receive one Class B Preferred Share of the Company for each Class C Preferred share of ACI held by such shareholder. The outstanding options and warrants of ACI will become convertible into shares of the Company. The Transaction will constitute a reverse acquisition of the Company.

Concurrent to the Transaction, the Company and ACI completed a brokered private placement by raising $5,376,198 by way of the sale of 3,360,124 subscription receipts at a price of $1.60 per subscription receipt ("Subscription Receipt) with each Subscription Receipt consisting of one share and one-half warrant ("Private Placement"). Each whole warrant is exercisable at a price of $2.10 per warrant for a term of 24 months from the closing date. In connection with Private Placement, the Company has agreed to pay a cash commission of $209,174 and issue 130,733 warrants under the Private Placement to the agents.

As at January 31, 2021, the Company received $941,400 in refundable deposits, included in restricted cash, for the Private Placement.

On March 18, 2021, the Transaction completed resulting in the Company issuing the following shares to ACI shareholders: 39,843,746 post-consolidated common shares, 7,000,000 restricted voting shares, 7,916,380 preferred shares, 10,008,374 warrants, 78,308 share options, and 9,991,057 performance share options. Additionally, the Company converted 3,360,124 post-consolidated Subscription Receipts and issued 130,733 broker warrants.

(Expressed in Canadian Dollars - Unaudited)

## 4. CASH

| | January 31, 2021 | July 31, 2020 |
|---|---|---|
| | $ | $ |
| Cash | 659,001 | 785,845 |
| Cash held in trust | 10,808 | 14,635 |
| | **669,809** | **800,480** |

## 5. ACCOUNTS PAYABLE

| | January 31, 2021 | July 31, 2020 |
|---|---|---|
| | $ | $ |
| Trade accounts payable | 71,877 | 17,390 |
| Accrued liabilities | 33,593 | 20,879 |
| | **105,470** | **38,269** |

## 6. SHARE CAPITAL

### Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

In March 2021, the Company completed a share consolidation on the basis of one new post-consolidation common share for every seven and fourteenths pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

### Issued Shares

There was no share issuance activity during the six months ended January 31, 2021 and the year ended July 31, 2020.

### Escrow Shares

As at January 31, 2021, the Company has 621,850 shares subject to escrow restrictions. The escrowed shares will be released from escrow in tranches over 36 months from the Company completing its QT.

### Basic and Diluted Loss per Share

The calculation of basic and diluted loss per share for the six months ended January 31, 2021 was based on the loss attributable to common shareholders of $210,045 (January 31, 2020 – $27,535) and the weighted average number of common shares outstanding of 1,640,057 (January 31, 2020 – 1,640,057).

Diluted loss per share for the six months ended January 31, 2021 did not include the effect of 621,850 (January 31, 2020 – 621,850) escrowed shares which are contingently returnable, or the 108,543 (January 31, 2020 – 119,047) outstanding share options and nil (January 31, 2020 – 22,409) outstanding warrants as the effect would be anti-dilutive.

(Expressed in Canadian Dollars - Unaudited)

## 7. RESERVES

### Share Options

The Company ratified a Stock Option Plan for its directors, officers, employees and consultants under which the Board of Directors of the Company may grant non-transferable share options totalling in aggregate up to 10% of the Company's issued and outstanding common shares, exercisable for a period of up to ten years from the date of grant, and at an exercise price which is not less than that permitted by the TSX-V.

In September 2018, the Company granted 119,047 share options to directors and officers of the Company at an exercise price of $0.714 per option for a period of five years, vesting as follows: 1/4th on the date of grant, 1/4th on the first anniversary, 1/4th on the second anniversary, and 1/4th on the third anniversary. In July 2019, 28,011 share options were cancelled and 31,513 share options were modified to vest as follows: 14,881 on the date of grant, 5,544 on the first anniversary, 5,544 on the second anniversary, and 5,544 on the third anniversary. The share options were valued at $71,315 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 2.32%, volatility of 100%, and nil forecasted dividend yields. During the six months ended January 31, 2021, the Company recorded share based compensation of $3,181 (2020 - $7,663) relating to these options.

In July 2019, the Company granted 28,011 share options to directors of the Company at an exercise price of $0.714 per option for a period of five years, vesting with the same schedule as options granted in September 2018. The share options were valued at $14,100 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.46%, volatility of 100%, and nil forecasted dividend yields. During the six months ended January 31, 2021, the Company recorded share based compensation of $1,312 (2020 - $4,924) relating to these options.

During the six months ended January 31, 2021, 10,504 share options were cancelled, and the fair value of $5,582 attributable to these share options was transferred from reserves to accumulated deficit.

A summary of the share option activities is as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | $ |
| **Balance, July 31, 2019 and 2020** | **119,047** | **0.714** |
| Cancelled | (10,504) | 0.714 |
| **Balance, January 31, 2021** | **108,543** | **0.714** |

A summary of the share options outstanding and exercisable at January 31, 2021 is as follows:

| Exercise price | Number outstanding | Number exercisable | Expiry date |
|---|---|---|---|
| $ | | | |
| 0.714 | 108,543 | 83,158 | September 21, 2023 |

The weighted average life of the outstanding share options is 2.64 years.

### Warrants

During the six months ended January 31, 2021, 22,409 warrants were expired unexercised, and the fair value of $9,744 attributable to these warrants was transferred from reserves to share capital.

(Expressed in Canadian Dollars - Unaudited)

## 7. RESERVES (continued)

**Warrants (continued)**

A summary of share purchase warrant activities is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| | | $ |
| **Balance, July 31, 2019 and 2020** | **22,409** | **0.714** |
| Expired | (22,409) | 0.714 |
| **Balance, January 31, 2021** | **-** | **-** |

## 8. RELATED PARTY TRANSACTIONS AND BALANCES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company. The Company considers its officers and directors to be its key management personnel.

Summary of key management personnel compensation:

| | For the six months ended January 31, 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Professional fees | - | 3,406 |
| Share based compensation | 4,493 | 12,560 |
| | **4,493** | **15,966** |

As at January 31, 2021, $12,266 (July 31, 2020 – $295) was included in accounts payable and accrued liabilities owing to officers, directors, and companies controlled by officers and directors of the Company for expense reimbursements.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

The fair value of the Company's accounts payable and accrued liabilities and refundable deposits approximates its carrying value. The Company's other financial instruments, being cash and restricted cash, are measured at fair value using Level 1 inputs.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) **Credit risk:**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash account. Cash accounts are held with major banks in Canada and lawyers trust accounts. The Company has deposited its cash with a bank from which management believes the risk of loss is low.

(b) **Liquidity risk:**
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable are due within the current operating period. The Company has a cash balance, including restricted cash, of $1,611,209 to settle current liabilities of $1,046,870.

(c) **Market risk:**
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

(d) **Interest rate risk:**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

## 10. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction as defined in TSX-V Policy 2.4. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure. The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company will be subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4 and summarized below:

(a) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;
(b) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;
(c) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate a QT;
(d) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

There were no changes in the Company's approach to capital management during the six months ended January 31, 2021.

## 11. SUBSEQUENT EVENT

On March 18, 2021, the Company completed its Qualifying Transaction. Refer to Note 3 for details.