

**Spitfyre Capital Inc.**  
**(A Capital Pool Company)**

Financial Statements

*For the Period from the Date of Incorporation  
(June 24, 2021) to December 31, 2021*

(In Canadian Dollars)

To the Shareholders of Spitfyre Capital Inc:

### Opinion

We have audited the financial statements of Spitfyre Capital Inc (the "Corporation"), which comprise the statement of financial position as at December 31, 2021, the statements of loss and other comprehensive loss, changes in Shareholders' equity and cash flows for the period from June 24, 2021 (date of incorporation) to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the period from June 24, 2021 (date of incorporation) to December 31, 2021 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brock Stroud.

Toronto, Ontario  
April 29, 2022

*MNP* LLP  
Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**Spitfyre Capital Inc.**  
**Statement of Financial Position**  
**As at December 31, 2021**

(in Canadian Dollars)

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<b>Assets</b>	<b>2021</b>
Cash held in trust	\$ 436,675
	<hr/> \$ 436,675 <hr/>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 59,663
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<b>Shareholders' Equity</b>	
Share capital, net of issuance costs (Note 3)	\$ 446,500
Deficit	\$ (69,488)
	<hr/> \$ 377,012 <hr/>
	<hr/> \$ 436,675 <hr/>

**Prospectus Filing (Note 7)**

<b>Approved by the Board</b>	<u>“Matthew McMillan” (Signed)</u> Matthew McMillan Director	<u>“Simon Sokol” (Signed)</u> Simon Sokol Director
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*The accompanying notes are an integral part of these financial statements.*

**Spitfyre Capital Inc.**  
**Statement of Loss and Comprehensive Loss**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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<b>Expenses</b>	
Professional fees	\$ 69,488
<b>Net loss and comprehensive loss for the period</b>	<b>(69,488)</b>
<b>Net loss per share – basic and diluted</b>	<b>\$ (0.02)</b>
<b>Weighted average shares outstanding- basic and diluted</b>	<b>4,283,684</b>

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

**Spitfyre Capital Inc.**  
**Statement of Cash Flows**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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	<b>For the period ended December 31, 2021</b>
<b>Cash provided by (used in)</b>	
<b>Operating</b>	
Net loss for the period	\$ (69,488)
Change in accounts payable and accrued liabilities	59,663
<b>Cash used in operating activities</b>	<b>(9,825)</b>
<b>Financing</b>	
Share issuance, net of issuance costs	446,500
<b>Cash provided by financing activities</b>	<b>446,500</b>
<b>Net change in cash</b>	<b>436,675</b>
<b>Cash, end of period</b>	<b>\$ 436,675</b>

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

**Spitfyre Capital Inc.**  
**Statement of Changes in Shareholders' Equity**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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	Number of Shares	Share Capital	Deficit	Shareholders' Equity
<b>Balance, June 24, 2021</b>	-	\$ -	\$ -	\$ -
Share issuance, net of issuance costs (Note 3)	4,500,000	\$ 446,500	-	\$ 446,500
Net loss for the period	-	-	(69,488)	(69,488)
<b>Balance, December 31, 2021</b>	<b>4,500,000</b>	<b>\$ 446,500</b>	<b>\$ (69,488)</b>	<b>\$ 377,012</b>

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

**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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**1. INCORPORATION AND NATURE OF BUSINESS**

Spitfyre Capital Inc. (the “Corporation”) was incorporated under the *Business Corporations Act (Ontario)* on June 24, 2021 and is in the process of applying for status as a Capital Pool Company as defined under Policy 2.4 – *Capital Pool Companies* (“Policy 2.4”) of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined in Policy 2.4 of the Exchange (“Qualifying Transaction”). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation’s continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders’ approval.

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 of reasonable general and administrative expenses, not exceeding \$3,000 per month. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its Qualifying Transaction on or before two years from the date the Corporation receives regulatory approval.

The head office and the registered head office of the Corporation is located at 100 King Street West, Suite 1600, Toronto, Ontario, Canada, M5X 1G5.

On April 29, 2022, the board of directors of the Corporation (the “Board of Directors”) approved the financial statements for the period from the date of incorporation (June 24, 2021) to December 31, 2021.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.



**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**Use of Estimates and Judgments**

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

**Basis of Presentation**

The financial statements are presented in Canadian dollars (“CAD”), which is the Corporation’s functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss (“FVTPL”), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

**Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

**Basic and Diluted Loss per Share**

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

**Share-based Compensation**

Equity-settled share based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation’s expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Cash held in trust**

Cash held in trust is comprised of cash held in trust with the Corporation's lawyers.

**Financial Instruments**

*Recognition*

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

*Classification*

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss), and (ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash held in trust is classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

*Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Financial Instruments - continued**

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statement of financial position.

**Income Taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

**3. SHARE CAPITAL**

Authorized

Unlimited common shares

Issued

4,500,000 common shares	4,500,000	\$ 450,000
Share issuance costs		(3,500)
<b>Balance, December 31, 2021</b>	<b>4,500,000</b>	<b>\$ 446,500</b>

**Escrowed Shares**

During the period ended December 31, 2021, the Corporation issued 4,500,000 common shares of the Corporation ("Common Shares") at \$0.10 per Common Share for gross proceeds of \$450,000 and incurred \$3,500 in share issuance costs.

All Common Shares acquired in the secondary market prior to the completion of a Qualifying Transaction 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 Corporation held by principals of the resulting issuer will also be subject to escrow. 4,500,000 shares have been escrowed at December 31, 2021.

All Common Shares and Common Shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued, releasing from escrow as follows:

Date of Final Exchange Bulletin	25%
Date 6 months following Final Exchange Bulletin	25%
Date 12 months following Final Exchange Bulletin	25%
Date 18 months following Final Exchange Bulletin	25%

**Options**

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Common Shares. They are non-transferable and the exercise price of each option granted under the plan shall be determined by the Board of Directors. Options may be granted for a maximum term of ten years from the date of the grant. Options expire not later than 12 months after the optionee ceases to be a director, officer or technical consultant of the Corporation, subject to the expiry date of the option.

Any Common Shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions as described above for escrowed shares.

The stock option plan is subject to regulatory approval.

No options have been granted or are outstanding as at December 31, 2021.

**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of Common Shares may only be used to identify and evaluate assets or businesses for future investment, with the exception of reasonable general and administrative expenses, not exceeding \$3,000 per month. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange Policy 2.4.

**Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust, accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**5. RELATED PARTY TRANSACTIONS**

During the period ended December 31, 2021, 2,900,000 Common Shares were issued at a price of \$0.10 per share for gross proceeds of \$290,000 to directors and officers of the Corporation.

There was no remuneration paid to key management personnel during the period ended December 31, 2021 and no other related party transactions have occurred during this period.

**Spitfyre Capital Inc.**  
**Notes to the Financial Statements**  
**For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021**

(in Canadian Dollars)

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**6. INCOME TAXES**

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% and the Corporation's effective income tax expense is as follows:

	<b>2021</b>
<b>Net loss for the period</b>	<b>\$69,488</b>
Expected income tax recovery	<b>(18,414)</b>
Share issuance costs	<b>(928)</b>
Deferred tax assets not recognized	<b>19,342</b>
	<b>-</b>

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At December 31, 2021, the Corporation has non – capital losses for income tax purposes of approximately \$69,663 which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income in 2041. The Corporation has not recorded deferred tax assets related to these unused carry forward losses as it is not probable that future taxable profits will be available against which these can be deducted.

**7. PROSPECTUS FILING**

**Filing of Prospectus and Proposed Initial Public Offering**

On December 23, 2021, the Corporation filed a final prospectus to offer to sell and issue a minimum of 1,125,000 Common Shares and a maximum of 1,250,000 Common Shares at a price of \$0.20 per Common Share for minimum aggregate gross proceeds of \$225,000 and maximum aggregate gross proceeds of \$250,000 (the "Offering").

The Corporation has entered into an agency agreement with Hampton Securities Limited (the "Agent") to raise gross proceeds of \$225,000 to \$250,000 in connection with the Offering. The Corporation has agreed to pay a commission of 10% of the gross proceeds of the Offering to the Agent and to grant compensation warrants ("Compensation Warrants") to the Agent and its sub-agents, if any, which will entitle the holder thereof to purchase up to that number of Common Shares that is equal to 10% of the Common Shares issued pursuant to the Offering at a price of \$0.20 per Common Share, exercisable for a period ending 36 months from the date the Common Shares are listed on the Exchange. Pursuant to Policy 2.4 of the Exchange, no more than 50% of the aggregate number of Common Shares that may be acquired pursuant to the Compensation Warrants may be sold prior to the completion of the Qualifying Transaction and the remaining 50% may only be sold after completion of the Qualifying Transaction. In addition, the Corporation is required to reimburse the Agent for legal fees (up to a maximum of \$15,000 plus taxes and disbursements) and other reasonable expenses incurred by the Agent pursuant to the Offering.

The Corporation has not yet completed the Offering. There is no assurance that the Offering will be completed in the manner described, on the expected timeline, or at all.