

OWL CAPITAL CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year ended October 31, 2018

Independent Auditors' Report

To the Shareholders of Owl Capital Corp.:

We have audited the accompanying financial statements of Owl Capital Corp., which comprise the statements of financial position as at October 31, 2018 and 2017, and the statements of operations and comprehensive loss, changes in equity and cash flows for the year ended October 31, 2018 and the period from September 27, 2017 (date of incorporation) to October 31, 2017, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Owl Capital Corp. as at October 31, 2018 and October 31, 2017, and its financial performance and its cash flows for the year ended October 31, 2018 and the period from September 27, 2017 (date of incorporation) to October 31, 2017, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Owl Capital Corp. incurred losses from operations and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Owl Capital Corp. to continue as a going concern.

Vancouver, British Columbia
February 28, 2019


Chartered Professional Accountants

OWL CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	October 31, 2018 \$	October 31, 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		298,937	144,979
GST recoverable		-	22
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Total assets		298,937	145,001
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LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	12,496	5,963
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EQUITY			
Share capital	5	358,202	130,001
Contributed surplus	5	10,600	-
Subscriptions received	5	-	15,000
Deficit		(82,361)	(5,963)
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Total		286,441	139,038
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Total liabilities and equity		298,937	145,001

Nature of operations and going concern (Note 1)

Approved by the Board of Directors

"Robert McMorran" Director

"James Hutton" Director

The accompanying notes are an integral part of these financial statements

OWL CAPITAL CORP.
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	Year ended October 31, 2018 \$	For the period from September 27, 2017 (Date of Incorporation) to October 31, 2017 \$
Expenses			
Professional fees	6	48,525	5,941
Listing fees		26,872	-
Office expenses		1,001	22
Net and comprehensive loss for the period		(76,398)	(5,963)
Basic and diluted loss per share		(0.02)	(0.00)
Weighted average number of shares outstanding		4,961,974	2,600,001

The accompanying notes are an integral part of these financial statements

OWL CAPITAL CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Amount \$	Contributed Surplus \$	Subscriptions received \$	Deficit \$	Total \$
Balance, September 27, 2017	-	-	-	-	-	-
Shares issued during the period	2,600,001	130,001	-	-	-	130,001
Subscriptions received	-	-	-	15,000	-	15,000
Loss for the period	-	-	-	-	(5,963)	(5,963)
Balance, October 31, 2017	2,600,001	130,001	-	15,000	(5,963)	139,038
Shares issued during the year	3,620,000	281,000	-	(15,000)	-	266,000
Cash issue costs	-	(42,199)	-	-	-	(42,199)
Finders' warrants	-	(10,600)	10,600	-	-	-
Loss for the year	-	-	-	-	(76,398)	(76,398)
Balance, October 31, 2018	6,220,001	358,202	10,600	-	(82,361)	286,441

The accompanying notes are an integral part of these financial statements

OWL CAPITAL CORP.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended October 31, 2018 \$	For the period from September 27, 2017 (Date of Incorporation) to October 31, 2017 \$
Cash flow provided by (used in)		
Operating activities		
Loss for the period	(76,398)	(5,963)
Changes in non-cash working capital items		
GST receivable	22	(22)
Accounts payable and accrued liabilities	6,533	5,963
	(69,843)	(22)
Financing activities		
Proceeds from issuance of shares	266,000	130,001
Issue costs	(42,199)	-
Subscriptions received	-	15,000
	223,801	145,001
Increase in cash and cash equivalents during the period	153,958	144,979
Cash and cash equivalents – beginning of the period	144,979	-
Cash and cash equivalents – end of the period	298,937	144,979

OWL CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Owl Capital Corp. (“Owl” or the “Company”) was incorporated under the Business Corporations Act of British Columbia on September 27, 2017. The Company is classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange. The Company’s principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction (“Qualifying Transaction”) in accordance with Policy 2.4 of the Exchange. The Company’s head office is located at 880 – 580 Hornby Street, Vancouver, BC V6C 3B6.

On May 18, 2018, the Company completed its Initial Public Offering (the “IPO”) issuing 2,000,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$200,000. The Company’s common shares were listed on the Exchange on May 18, 2018 under the symbol “OCC.P”.

As at October 31, 2018 the Company had no business operations, an accumulated deficit and its only significant asset was cash. The ability of the Company to fund potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction or be able to finance such an investment or acquisition. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of material uncertainty that may give rise to significant doubt as to the Company’s ability to continue as a going concern.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported loss and the balance sheet classifications used, and such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved by the board of directors for use on February 28, 2019.

The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which may be measured at fair value. The accruals basis of accounting has been applied in preparing the financial statements, except for cash flow information.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

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(Expressed in Canadian Dollars)

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are initially recognized at fair value less directly attributable transaction costs. After initial recognition these financial assets are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for impairment losses which are recognized in profit or loss

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Declines in the fair values of available-for-sale equity instruments below the investments' costs that are considered significant or prolonged are deemed to be impairments in the carrying values of those instruments.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss.

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and

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For the Year Ended October 31, 2018

(Expressed in Canadian Dollars)

rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents is defined as cash less cheques issued in excess of deposits on hand. The Company considers all highly liquid investments with terms to maturity of three months or less when acquired, to be cash equivalents. Cash and cash equivalents consists of cash held in the Company's Canadian denominated account as well as cash held in trust.

Earnings per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive potential ordinary shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. The number of dilutive potential ordinary shares are determined using the Treasury Stock Method which assumes that any proceeds received from the instruments are used to repurchase outstanding shares at the average market price for the period.

Foreign currencies

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Share-based payments

The fair value of all share-based awards granted is recorded, at the measurement date fair value, as an asset or a charge to profit or loss and as a credit to contributed surplus under the graded attribution method.

The fair value of share-based awards granted to employees and others providing similar services which vest immediately is recorded at the date of grant. The fair value of share-based awards which vest in the future is recognized over the vesting period, as adjusted for the expected level of vesting of the options. The fair value of share-based awards is estimated using the Black-Scholes pricing model.

Share-based awards granted to parties other than employees and those providing similar services are measured at the fair value of the goods and services received on the date of receipt. If the fair value of the goods and services received cannot be reliably measured, their value is estimated using the Black-Scholes option pricing model.

Any consideration received on the exercise of share-based awards together with the related portion of contributed surplus attributed to the exercised share-based awards is credited to share capital. When share-based awards expire unexercised the amounts recorded in contributed surplus with respect to those share-based awards are not reclassified within equity.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards have been issued but are not yet effective:

IFRS 9 Financial Instruments

OWL CAPITAL CORP.
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(Expressed in Canadian Dollars)

The IASB has issued a new standard, IFRS 9, Financial Instruments (“IFRS 9”), which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires that a single impairment method be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity’s credit risk are presented in other comprehensive income. The Company will be required to adopt IFRS 9 in the annual period beginning November 1, 2018. The Company does not expect the implementation to have a significant impact on the Company’s results of operations, financial position and disclosures.

IFRS 15 Revenues from Contracts with Customers and IFRS 16 Leases are applicable for the Company’s reporting periods beginning on or after November 1, 2018 and November 1, 2019, respectively. These standards are currently not expected to be applicable to the Company’s operations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on current available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. In the process of applying the Company’s accounting policies, management has made the following estimates, assumptions and judgments which have a significant effect on the amounts recognized in the financial statements:

- (i) *Going concern* – The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves management’s judgment. Factors considered by management are disclosed in Note 1.
- (ii) *Income taxes* - In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

OWL CAPITAL CORP.
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(Expressed in Canadian Dollars)

5. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.
- b) Issued: 6,220,001 common shares issued and outstanding.

On May 18, 2018, the Company completed its IPO issuing 2,000,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$200,000. In connection with the IPO, the Company entered into an Agency Agreement with Haywood Securities Inc. (the "Agent"). The Company paid an aggregate of \$42,199 in cash commission, corporate finance fee, legal and other expenses incurred by the Agent. In addition, the Company granted 200,000 non-transferable warrants to the Agent entitling the Agent to purchase common shares at a price of \$0.10 per share, the warrants expire on May 18, 2020. The agent warrants were fair valued at \$10,600 using the Black-Scholes Option Pricing model under the following assumptions: risk free rate - 1.98%; expected dividend - nil; expected life - 2 years; expected volatility - 100%.

On December 10, 2017, the Company issued a total of 1,620,000 common shares at a price of \$0.05 per share for gross proceeds of \$81,000.

On September 27, 2017, the Company issued 2,600,001 common shares for proceeds of \$130,001.

- c) Warrants

As at October 31, 2018 the Company had 200,000 agent warrants outstanding and exercisable at \$0.10 per share. The warrants will expire on May 18, 2020 and have a weighted average remaining life of 1.55 years.

Subsequent to October 31, 2018, 8,000 agent warrants were exercised for proceeds of \$800.

- d) Escrow Shares:

Subject to an Escrow Agreement in accordance with the Exchange CPC Policy, 4,220,001 issued and outstanding common shares of the Company will be held in escrow. Subject to the said Policy, the escrowed common shares will be released from escrow as follows: 10% on the completion of Qualifying Transaction, and 15% on each of the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

6. RELATED PARTY TRANSACTIONS

As at October 31, 2018, the Company had \$nil (October 31, 2017 - \$463) in accounts payable and accrued liabilities owing to related parties. Compensation paid or accrued to key management or companies controlled by key management personnel during the year ended October 31, 2018 was \$5,219 paid to Malaspina Consultants, a company that up to July 31, 2018, was controlled by Rob McMorran, a director of the Company.

All transactions with related parties have occurred in the normal course of operations.

OWL CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

7. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory tax rates to the amounts recognized in the statement of operations and comprehensive loss for the year ended October 31, 2018 and period from September 27, 2017 (date of incorporation) to October 31, 2017:

	2018	2017
Statutory tax rate	26.83%	26%
	\$	\$
Loss for the period before income taxes	(76,398)	(5,963)
Expected income tax expense (recovery)	(20,498)	(1,550)
Change in tax rates	(186)	(60)
Change in deferred tax assets not recognized	20,684	1,610
Total income taxes expense (recovery)	-	-

The significant components of the Company's net deferred tax assets and liabilities as at October 31, 2018 are as follows:

	2018	2017
	\$	\$
Issuance costs	9,115	-
Non-capital loss carryforwards	24,516	1,610
Unrecognized tax asset	33,631	1,610

The Company has non-capital loss carry forwards of approximately \$90,801 which may be carried forward to apply against future income for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in the year 2038.

8. FINANCIAL INSTRUMENTS

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

OWL CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investors and associated financings.

As a CPC the Company is subject to certain cash restrictions. Proceeds raised from the issuance of common shares under the prospectus may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuances of shares, or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative general expenses of the Company. The restrictions apply until completion of a Qualifying Transaction by the Company in accordance with Policy 2.4 of the Exchange.

Classification of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs, other than Level 1 prices, in active markets for similar assets or liabilities, 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.

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities, and are classified as other financial liabilities, which are measured at amortized cost.

The risks associated with financial assets and liabilities are detailed/discussed below:

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with the Bank of Montreal. Accordingly, the Company believes it is not exposed to significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited at present as the Company's assets and liabilities are earning or incurring interest at market rates or where they are non-interest bearing or have fixed interest rates they have short terms to maturity.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. As at October 31, 2018, all the Company's liabilities are due on demand. At October 31, 2018, the Company had working capital of \$286,441 (October 31, 2017 - \$139,038).