

# **DISCOVERY ONE INVESTMENT CORP.**

Financial Statements

For the Year ended April 30, 2019 and for the Period from the Date of Incorporation  
on February 14, 2018 to April 30, 2018

Expressed in Canadian Dollars

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# DISCOVERY ONE INVESTMENT CORP.

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## Independent Auditor's Report

### To the Shareholders of Discovery One Investment Corp.

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Discovery One Investment Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, 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 Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

##### 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

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 audits or otherwise appears to be materially misstated. If, based on the work we have performed, 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 IFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

##### Auditor's Responsibilities for the Audit of the 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 Company'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 Company'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 Company 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 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.

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.

A handwritten signature in cursive script that reads "De Visser Gray LLP".

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada

July 10, 2019

# DISCOVERY ONE INVESTMENT CORP.

Statements of Financial Position  
As at April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

	Notes	April 30, 2019	April 30, 2018
<b>Assets</b>			
Cash and cash equivalents		\$ 1,226,575	\$ 447,215
Amounts receivable	4	6,171	419
Prepaid expenses		-	15,000
		<b>1,232,746</b>	<b>462,634</b>
<b>Liabilities and Shareholders' Equity</b>			
Accrued liabilities		5,765	35,000
Shareholders' equity			
Share capital	5	1,298,422	472,000
Reserves	5	229,159	-
Deficit		(300,600)	(44,366)
		<b>1,226,981</b>	<b>427,634</b>
		<b>\$ 1,232,746</b>	<b>\$ 462,634</b>

Nature of operations (Note 1)

Subsequent events (Note 10)

Approved on behalf of the board of directors:

*"Len W. Brownlie"*

Len W. Brownlie, Director

*"Chris McLeod"*

Chris McLeod, Director

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

# DISCOVERY ONE INVESTMENT CORP.

## Statements of Loss and Comprehensive Loss

For the Year ended April 30, 2019 and for the Period from the Date of Incorporation on February 14, 2018 to April 30, 2018

(Expressed in Canadian Dollars)

	Notes	2019	2018
<b>Expenses:</b>			
Audit fees		\$ -	\$ 10,000
Bank fees		218	-
Business development		84	-
Filing fees		25,246	15,000
Interest income		(8,739)	-
Legal fees		53,479	18,770
Office and miscellaneous	6	6,500	596
Share-based compensation	5	179,446	-
<b>Net loss and comprehensive loss</b>		<b>\$ 256,234</b>	<b>\$ 44,366</b>
<b>Loss per share – basic and diluted</b>			
		<b>\$ 0.02</b>	<b>\$ 0.01</b>
<b>Weighted-average number of common shares outstanding</b>			
		<b>15,172,546</b>	<b>3,200,000</b>

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

## DISCOVERY ONE INVESTMENT CORP.

Statements of Changes in Shareholders' Equity (Deficiency)

For the Year ended April 30, 2019 and for the Period from the Date of Incorporation on February 14, 2018 to April 30, 2018

(Expressed in Canadian Dollars)

	Notes	Share capital				Total Shareholders' Equity
		Shares	Amount	Reserves	Deficit	
<b>Balance, February 14, 2018</b>		-	\$ -	\$ -	\$ -	\$ -
Shares issued for cash	5	10,000,000	500,000	-	-	500,000
Share issuance costs	5	-	(28,000)	-	-	(28,000)
Net and comprehensive loss		-	-	-	(44,366)	(44,366)
<b>Balance, April 30, 2018</b>		<b>10,000,000</b>	<b>\$ 472,000</b>	<b>\$ -</b>	<b>\$ (44,366)</b>	<b>\$ 427,634</b>
Private placement	5	10,000,000	1,000,000	-	-	1,000,000
Share issuance costs	5	-	(183,430)	53,130	-	(130,300)
Exercise of warrants	5	64,350	9,852	(3,417)	-	6,435
Share-based compensation	5	-	-	179,446	-	179,446
Net and comprehensive loss		-	-	-	(256,234)	(256,234)
<b>Balance, April 30, 2019</b>		<b>20,064,350</b>	<b>\$ 1,298,422</b>	<b>\$ 229,159</b>	<b>\$ (300,600)</b>	<b>\$ 1,226,981</b>

The accompanying notes form an integral part of these financial statements

# DISCOVERY ONE INVESTMENT CORP.

## Statements of Cash Flows

For the Year ended April 30, 2019 and for the Period from the Date of Incorporation on February 14, 2018 to April 30, 2018

(Expressed in Canadian Dollars)

	2019	2018
Cash provided by (used in):		
Operating activities		
Net loss and comprehensive loss for the period	\$ (256,234)	\$ (44,366)
Item not involving cash:		
Share-based compensation	179,446	-
Changes in non-cash working capital:		
Amounts receivable	(5,752)	(419)
Prepaid expenses	15,000	(15,000)
Accrued liabilities	(29,235)	35,000
Net cash used in operating activities	(96,775)	(24,785)
Financing activities		
Proceeds from initial public offering, net	869,700	472,000
Proceeds from exercise of warrants	6,435	-
Net cash provided by financing activities	876,135	472,000
Change in cash	779,360	447,215
Cash, beginning of period	447,215	-
Cash, end of period	\$ 1,226,575	\$ 447,215

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

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 1. NATURE OF OPERATIONS

Discovery One Investment Corp. (the “Company”) was incorporated under the laws of the Province of British Columbia on February 14, 2018. The Company was formed for the primary purpose of completing an Initial Public Offering (“IPO”) on the TSX Venture Exchange (the “Exchange”) as a Capital Pool Corporation (“CPC”) as defined in Policy 2.4 of the Exchange. The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Company has not commenced operations and has no assets other than cash. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and in the case of a non-arms’ length transaction, of the majority of the minority shareholders.

The Company’s head office and principal address is 5761 Seaview Place, West Vancouver BC, V7W 1R7. The registered and records office is 910-800 West Pender Street, Vancouver, BC V6C 2V6.

On July 26, 2018, the Company filed a prospectus to offer to the public in the provinces of British Columbia, Alberta and Ontario up to 10,000,000 common shares at a price of \$0.10 per share. For this purpose, the Company entered into an engagement agreement with Canaccord Genuity Corp. (the “Agent”), dated April 19, 2018, to act as Agent for the Company. The Company agreed to pay the Agent a commission equal to 10% of the total proceeds raised in the IPO and also to issue finder’s warrants upon closing. Upon completion of the IPO, 2,000,000 stock options were granted to directors and officers of the Company with an exercise price of \$0.10 per common share and exercisable for a period of 10 years from the date of grant.

On October 26, 2018 the Company completed its IPO, whereby it issued 10,000,000 common shares at \$0.10 per common share for gross proceeds of \$1,000,000 pursuant to a prospectus dated July 26, 2018. See Note 5(b) for other details of the IPO.

The Company has no source of operating revenue, has incurred losses since inception and as at April 30, 2019 has an accumulated deficit of \$300,600. Its continued existence will be dependent on the receipt of related party debt or equity financing on terms that are acceptable to the Company.

## 2. BASIS OF PRESENTATION

These financial statements were authorized for issue by the directors of the Company on July 10, 2019.

### ***Statement of compliance***

The Company’s financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

### ***Basis of presentation***

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

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 2. BASIS OF PRESENTATION (cont'd)

otherwise noted.

### **Significant estimates and assumptions**

The preparation of 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.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

### **Significant judgments**

The preparation of 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 in applying the Company's 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### ***Cash and cash equivalents***

Cash and cash equivalents consists of cash and short-term deposits held with Canadian banks.

### ***Share capital***

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

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.

### ***Earnings (loss) per share***

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive,

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
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## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

diluted loss per share is the same as basic loss per share.

### ***Income taxes***

Income tax expense is comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and 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. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 reporting date.

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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

### ***Financial instruments – recognition and measurement***

#### Adoption of IFRS 9

On May 1, 2018, the Company adopted IFRS 9 in accordance with the transitional provisions of the standard. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. The change did not impact the carrying value of any of the Company's financial assets on the transition date.

The impact on the statement of financial position from the changes related to IFRS 9 has been summarized below.

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### *Financial instruments – recognition and measurement* (cont'd)

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 as follows:

<b>Financial Assets</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash and cash equivalents	Fair value through profit or loss	Amortized cost
Amounts receivable	N/A	Amortized cost
<b>Financial Liabilities</b>		
Accrued liabilities	Amortized cost	Amortized cost

The classification of financial assets is based on how the entity manages its financial instruments and contractual cash flow characteristics of the financial asset. Transactions costs with respect to financial instruments classified as fair value through profit or loss are recognized in the statements of loss and comprehensive loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of financial instruments measured at fair value, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Financial instruments measured at fair value are classified into one of the 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 and 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.

### *Recent accounting pronouncements*

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended April 30, 2019, and have not been applied in preparing these financial statements. Such standards that may have an impact on the Company's financial statements once adopted include the following:

- Amendments to IFRS 9, "Leases".

The Company has assessed this revised standard and has determined that this standard will have no impact on the financial statements.

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 4. AMOUNTS RECEIVABLE

The Company's amounts receivable consist of GST/HST receivable from the Canadian government and interest receivable on the Company's term deposits.

As at April 30, 2019, the Company's amounts receivable are as follows:

GST receivable	\$	387
Interest receivable		5,784
<b>Amounts receivable</b>	<b>\$</b>	<b>6,171</b>

## 5. SHARE CAPITAL

### a. Authorized

Unlimited number of common shares without par value.  
Unlimited number of preferred shares without par value.

### b. Issued and outstanding

As at April 30, 2019 the Company had 20,064,350 common shares issued and outstanding.

During the period ended April 30, 2018, the Company issued 10,000,000 common shares at a price of \$0.05 for proceeds of \$500,000. The Company paid cash commissions of \$28,000 or 7% of the proceeds received from subscribers who were introduced to the Company by the Agent.

On October 26, 2018 the Company completed an IPO of 10,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$1,000,000. The Company paid a cash commission of \$100,000 and a related agent fee of \$30,300, and granted to the Agent warrants to acquire 1,000,000 common shares at a price of \$0.10 per common share until October 26, 2020. Using the Black-Scholes Model, the Company recorded an estimated fair value of \$53,130 in respect to these warrants.

On December 27, 2018, 64,350 agent warrants were exercised at a price of \$0.10 for gross proceeds of \$6,435. The warrants' fair value of \$3,417 was re-allocated to share capital.

### c. Stock options

During the year ended April 30, 2019 the Company 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 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.

During the year ended April 30, 2019 the Company issued 2,000,000 stock options pursuant to the Stock Option Plan. Each option is exercisable to acquire one common share at a price of \$0.10 any time prior to the expiry date. This resulted in a share-based compensation expense using the Black-Scholes option-pricing model of \$179,466. This amount was also recorded in reserves on the statement of financial position.

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 5. SHARE CAPITAL (cont'd)

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2018	-	\$ -
Granted	2,000,000	0.10
<b>Balance, April 30, 2019</b>	<b>2,000,000</b>	<b>\$ 0.10</b>

As at April 30, 2019, outstanding options were as follows:

Grant Date	Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
May 24, 2018	1,500,000	\$ 0.10	May 24, 2028	9.07
October 25, 2018	500,000	0.10	October 25, 2028	9.50
<b>Fully vested and exercisable, April 30, 2019</b>	<b>2,000,000</b>	<b>\$ 0.10</b>		<b>9.18</b>

### d. Agent warrants

In connection with the IPO on October 26, 2018, the Company granted to the agent 1,000,000 share purchase warrants at a price of \$0.10 per common share until October 26, 2020. This resulted in a fair value using the Black-Scholes warrant-pricing model of \$53,130. This amount was recorded in share issuance costs and netted against reserves on the statement of financial position. The weighted average fair value of these warrants granted to the agent was \$0.05 per warrant. The risk-free interest rate was 2.27%, with an expected life of 2 years, and an annualized volatility of 100%.

A summary of the Company's agent warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, as at April 30, 2018</b>	-	\$ -
Granted	1,000,000	0.10
Exercised	64,350	0.10
<b>Balance, April 30, 2019</b>	<b>935,650</b>	<b>\$ 0.10</b>

As at April 30, 2019, outstanding agent warrants were as follows:

Grant Date	Number of Warrants Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
October 26, 2018	1,000,000	\$ 0.10	October 26, 2020	1.49
<b>Fully vested and exercisable, April 30, 2019</b>	<b>935,650</b>	<b>\$ 0.10</b>		

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 6. RELATED PARTY TRANSACTIONS

The Company has identified its directors and senior 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.

On April 1, 2018, the Company entered into an administrative service and rent agreement with Brownlie Management Ltd., a company owned by the President and CEO of the Company. The agreement is for office administrative services and office rent on a month to month basis in exchange for a monthly fee of \$500, plus taxes.

During the year ended April 30, 2019, the Company paid \$6,500, pursuant to this agreement.

During the year ended April 30, 2019 the Company issued 2,000,000 incentive stock options to key management personnel and recognized stock based compensation expense of \$179,446 in relation to stock options granted.

As at April 30, 2019, \$500 in accrued liabilities was due to related parties.

## 7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Loss and comprehensive loss for the period	\$ (256,234)	\$ (44,366)
Statutory rate	27.00%	26.00%
Expected income tax recovery	(69,000)	(11,535)
Effect of deductible amounts	(1,000)	(7,280)
Change in unrecognized benefit of non-capital losses	70,000	18,815
Income tax recovery	\$ -	\$ -

The Company's deductible temporary differences and unused tax losses consist of the following amounts:

	2019	2018
Deferred income tax assets:		
Non-capital loss carry-forwards (1)	\$ 169,000	\$ 50,000
Share issue costs	163,500	22,400
	\$ 332,500	\$ 72,400

(1) These losses are available to be utilized as deductions against future years' Canadian taxable income from Canadian operations and capital gains. These non-capital losses, if not utilized, will expire between 2038 and 2039.

# DISCOVERY ONE INVESTMENT CORP.

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
(Expressed in Canadian Dollars)

## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

As at April 30, 2019, the Company had cash on hand of \$1,226,575, which is sufficient to settle its current liabilities of \$5,765.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### (a) 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 the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

#### (b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

#### (c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

## 9. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at April 30, 2019, the Company's shareholders' equity was \$1,226,981 and it had current liabilities of \$5,765. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future 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

# **DISCOVERY ONE INVESTMENT CORP.**

Notes to the Financial Statements  
For the years ended April 30, 2019 and 2018  
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## **9. CAPITAL MANAGEMENT (cont'd)**

Company currently is not subject to externally imposed capital requirements.

Cash on hand will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a qualifying transaction. Additional funds will be required to finance the Company's qualifying transaction.

## **10. SUBSEQUENT EVENTS**

There were no events subsequent to the report date.