

# VON Capital Corp.

## Financial Statements

For the Years Ended June 30, 2019 and 2018  
(stated in Canadian dollars)



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of VON Capital Corp.:

### **Opinion**

We have audited the financial statements of VON Capital Corp. (the "Company"), which comprise the statements of financial position as at June 30, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in equity and statements of 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 June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audits 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 audits 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 in our audits 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 the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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 audits 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 and remain alert for indications that the other information 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 in this auditor's report. We have nothing to report in this regard.

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***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 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 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 Anna C. Moreton.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

October 8, 2019

VON Capital Corp.  
 Statements of Financial Position  
 (Stated in Canadian Dollars)

	Notes	June 30, 2019	June 30, 2018
<b>ASSETS</b>			
Current assets			
Cash	4	\$ 245,702	\$ 277,415
GST receivable		1,445	3,391
<b>TOTAL ASSETS</b>		<b>\$ 247,147</b>	<b>\$ 280,806</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Trade and other payables		\$ 8,076	\$ 8,041
Equity			
Common shares	5	315,633	315,633
Share-based payments reserve	6	80,007	80,007
Deficit		(156,569)	(122,875)
<b>Total equity</b>		<b>239,071</b>	<b>272,765</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 247,147</b>	<b>\$ 280,806</b>

Nature and continuance of operations	1
Events after the reporting date	13

Approved on behalf of the Board of Directors:

"David Patterson"

David Patterson, Director

"Colin Watt"

Colin Watt, Director

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

VON Capital Corp.  
Statements of Loss and Comprehensive Loss  
(Stated in Canadian Dollars)

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	Notes	Year ended June 30, 2019	Year ended June 30, 2018
Expenses			
General and administrative	7	\$ 33,694	\$ 94,424
<b>Loss and comprehensive loss for the period</b>		<b>\$ (33,694)</b>	<b>\$ (94,424)</b>
Weighted average number of common shares outstanding	5		
Basic		3,000,000	2,005,479
Diluted		3,000,000	2,005,479
<b>Basic and diluted loss per common share</b>		<b>\$ (0.01)</b>	<b>\$ (0.05)</b>

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

VON Capital Corp.  
Statement of Changes in Equity  
(Stated in Canadian Dollars)

	Common Shares		Share-based	Deficit	Total
	Number	Amount	Payments Reserve		
Balance at June 30, 2017	2,000,000	\$ 100,000	\$ -	\$ (28,451)	\$ 71,549
Initial public offering	3,000,000	300,000	-	-	300,000
Share issue costs on initial public offering	-	(84,367)	13,089	-	(71,278)
Share-based payments	-	-	66,918	-	66,918
Loss for the year	-	-	-	(94,424)	(94,424)
Balance at June 30, 2018	5,000,000	315,633	80,007	(122,875)	272,765
Loss for the year	-	-	-	(33,694)	(33,694)
Balance at June 30, 2019	5,000,000	\$ 315,633	\$ 80,007	\$ (156,569)	\$ 239,071

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

VON Capital Corp.  
 Statements of Cash Flows  
 (Stated in Canadian Dollars)

	Year ended June 30, 2019	Year ended June 30, 2018
Operating activities		
Loss for the year	\$ (33,694)	\$ (94,424)
Item not involving cash:		
Share-based payments	-	66,918
Changes in non-cash working capital items:		
GST receivable	1,946	(2,386)
Trade and other payables	35	(10,237)
<b>Net cash used in operating activities</b>	<b>(31,713)</b>	<b>(40,129)</b>
Financing activities		
Common shares issued for cash	-	300,000
Share issue costs	-	(51,278)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>248,722</b>
Change in cash during the year	(31,713)	208,593
Cash, beginning of year	277,415	68,822
<b>Cash, end of year</b>	<b>\$ 245,702</b>	<b>\$ 277,415</b>
Supplemental Cash Flow Information		
Income taxes paid	\$ -	\$ -
Interest paid (received)	\$ -	\$ -

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

# VON Capital Corp.

## Notes to the Financial Statements

June 30, 2019 and 2018

(Stated in Canadian Dollars)

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### 1. Nature and Continuance of Operations

VON Capital Corp. (the "Company") was incorporated on February 24, 2017 as 1108775 BC Ltd. pursuant to the Business Corporations Act of British Columbia and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company changed its name on March 16, 2017. On October 30, 2017 the Company completed its Initial Public Offering ("IPO") and the Company's shares commenced trading on the TSX-V.

As at June 30, 2019, the Company had no business operations and its only significant asset was cash. During the year ended June 30, 2019, the Company did not enter into any agreements to acquire interests in businesses or assets (note 13). As a Capital Pool Company, the Company's principal business will be the identification and evaluation of assets, properties or businesses with a view to acquisition or participation therein subject, in certain cases, to shareholder approval and acceptance by the TSX-V. Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares were listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The head office of the Company is located at Suite 1100 – 1111 Melville Street, Vancouver, BC, V6E 3V6. The registered office of the Company is located at 29<sup>th</sup> Floor, 595 Burrard Street, Vancouver, BC, V7X 1J5.

The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

### 2. Basis of Preparation

#### a) Statement of compliance

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRICs").

#### b) Basis of presentation

The financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

#### c) Approval of the financial statements

The financial statements of the Company for the year ended June 30, 2019 were reviewed by the audit committee and approved and authorized for issue by the Board of Directors on October 8, 2019.

#### d) Recent accounting pronouncements and changes to accounting policies

During the year ended June 30, 2019, the Company adopted the following new accounting pronouncements:

# VON Capital Corp.

## Notes to the Financial Statements

June 30, 2019 and 2018

(Stated in Canadian Dollars)

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### 2. Basis of Preparation (cont'd)

- i) IFRS 2 – In June 2016, the IASB issued amendments to IFRS 2, covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. There was no material impact on the Company's financial statements upon adoption of this standard.
- ii) IFRS 9 – In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9's key changes include but are not limited to (i) eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale, and (ii) replacing IAS 39's incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment. There was no material impact on the Company's financial statements upon adoption of this standard. The Company's new accounting policy for IFRS 9 is summarized in note 3.
- iii) IFRS 15 – In May 2014, the IASB issued IFRS 15, which establishes a single five-step model framework for determining the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. As the Company currently has no revenues, there was no material impact on the Company's financial statements upon adoption of this standard.

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective:

§ IFRS 16	New accounting standard that replaces IAS 17, IFRIC 4, SIC 15, and SIC 27 for the recognition, measurement, presentation, and disclosure of leases for both the lessee and lessor (effective for annual periods on or after January 1, 2019).
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The Company has not early adopted this standard and does not expect there to be a material impact on the results and financial position of the Company.

### 3. Summary of Significant Accounting Policies

#### a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, or held in trust, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at June 30, 2019 or 2018.

#### b) Foreign currencies

The financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the date of the statement of financial position.

3. Summary of Significant Accounting Policies (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

c) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as dilution in the computation of earnings per share if applicable.

d) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods 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 substantively enacted by the date of the statement of financial position.

VON Capital Corp.  
Notes to the Financial Statements  
June 30, 2019 and 2018  
(Stated in Canadian Dollars)

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3. Summary of Significant Accounting Policies (cont'd)

Deferred income tax

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position 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, except:

- § where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- § in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- § where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- § in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the date of each statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the date of each statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

# VON Capital Corp.

## Notes to the Financial Statements

June 30, 2019 and 2018

(Stated in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (cont'd)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### e) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. Common shares that are contingently returnable and subject to escrow are not included in the calculation.

#### f) Financial instruments

##### i) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

##### ii) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- a) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- b) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. 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 of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

VON Capital Corp.  
Notes to the Financial Statements  
June 30, 2019 and 2018  
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3. Summary of Significant Accounting Policies (cont'd)

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

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

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at FVTOCI or amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial asset consists of cash, which is classified and subsequently measured at amortized cost. The Company's financial liabilities consist of trade and other payables which are classified and measured at amortized cost using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in net loss.

<u>Financial Instrument</u>	<u>Classification under IAS 39</u>	<u>Classification under IFRS 9</u>
Cash	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

iii) Impairment

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

g) Interest income

Interest income from financial assets is accrued by reference to the principal outstanding and at the applicable effective interest rate.

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

VON Capital Corp.  
Notes to the Financial Statements  
June 30, 2019 and 2018  
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3. Summary of Significant Accounting Policies (cont'd)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

i) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

j) Significant accounting judgments and estimates

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

The areas that require significant estimations or where measurements are uncertain are as follows:

Share-based payments

The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the share options, expected dividends, the risk-free rate, and the expected forfeiture rate. The expected volatility is based on the estimated volatility of early stage companies trading on the TSX-V. The expected life of the share options is based on historical experience and general option holder behavior. Dividends are not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of share options that will forfeit and the rate is adjusted to reflect the actual number of share options that actually vest.

There are no areas that required significant judgment that would have a significant risk of causing material adjustment to the amounts recognized in the financial statements as at June 30, 2019 or 2018.

4. Cash Restriction

In accordance with TSX-V Policy 2.4, 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 that no more than the lesser of 30% of the gross proceeds from the issuance of shares (\$120,000) or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company not related to the identification and evaluation of a Qualifying Transaction. These restrictions apply until completion of a Qualifying Transaction by the Company pursuant to the CPC Policy.

# VON Capital Corp.

## Notes to the Financial Statements

June 30, 2019 and 2018

(Stated in Canadian Dollars)

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### 5. Shareholders' Equity

a) Authorized:

An unlimited number of common shares without par value.

b) During the year ended June 30, 2018, the Company issued common shares as follows:

On October 30, 2017, the Company completed its initial public offering ("IPO") of 3,000,000 common shares at \$0.10 per common share for gross proceeds of \$300,000. The Company paid a cash commission of 10% of the gross proceeds, paid a corporate finance fee of \$10,000 and issued to the IPO agent 300,000 non-transferable agent's options (the "Agent's Options") to purchase an aggregate of 300,000 common shares of the Company at an exercise price of \$0.10 per share. The Agent's Options expire on October 30, 2019. The Company recognized \$13,089 for share-based payments related to the Agent's Options (note 6b).

c) Escrowed shares:

Pursuant to an escrow agreement dated August 30, 2017 (the "Escrow Agreement") between the Company and certain shareholders of the Company, 2,000,000 common shares (the "Escrowed Shares"), being all of the issued and outstanding common shares prior to the completion of the initial public offering, were deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

d) Loss per share:

Basic and diluted loss per share

	Year ended June 30, 2019	Year ended June 30, 2018
Numerator:		
Net (loss) income	\$ (33,694)	\$ (94,424)
Denominator:		
Weighted average number of common shares (basic)	3,000,000	2,005,479
Dilutive effect of share options	-	-
Dilutive effect of warrants	-	-
Weighted average number of common shares (diluted)	3,000,000	2,005,479
Basic and diluted (loss) income per common share	\$ (0.01)	\$ (0.05)

VON Capital Corp.  
Notes to the Financial Statements  
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6. Share-based Payments

a) Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The options will be exercisable for a period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX-V.

On November 23, 2017, the Company granted 500,000 stock options to directors and officers with an exercise price of \$0.21. The stock options will be exercisable for a period of five years expiring on November 23, 2022. The Company recognized \$66,918 for share-based payments.

The fair value of the stock options is estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.62%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80%, a weighted average expected life of 5 years, and a forfeiture rate of 1%. The fair value of the stock options was \$0.135 per option. The expected volatility assumption is based on the estimated volatility of early stage companies trading on the TSX-V. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the stock options' expected life.

b) Agent's Options

The fair value of the Agent's Options is estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.39%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80% and a weighted average expected life of 2 years, and a forfeiture rate of nil. The fair value of Agent's Options was \$0.04 per option. The expected volatility assumption is based on the estimated volatility of early stage companies trading on the TSX-V. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the Agent's Options expected life.

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7. General and Administrative

	Year ended June 30, 2019	Year ended June 30, 2018
Filing and listing fees	\$ 6,979	\$ 9,589
Office and miscellaneous	1,120	793
Professional fees	12,648	9,530
Rent	7,200	1,500
Share-based payments	-	66,918
Transfer agent fees	5,747	6,094
	<u>\$ 33,694</u>	<u>\$ 94,424</u>

8. Related Party Transactions

The following is a summary of the related party transactions that occurred during the years ended June 30, 2019 and 2018.

a) Compensation of key management personnel

The Company has determined that key management personnel consist of its Directors, the CEO and CFO.

On November 23, 2017, the Company granted 500,000 stock options to directors and officers with an exercise price of \$0.21. The stock options will be exercisable for a period of five years expiring on November 23, 2022. The Company recognized \$66,918 for share-based payments. Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended June 30, 2019 and 2018.

9. Financial Instruments

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk, with the carrying value being the Company's maximum exposure. The Company's cash consists of funds held at a chartered Canadian bank. Management believes the Company's exposure to credit risk is minimal.

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9. Financial Instruments (cont'd)

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as cash only comprised bank account balances as of June 30, 2019 and 2018. The Company had no interest rate swaps or financial contracts in place as at or during the years ended June 30, 2019 and 2018.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's trade and other payables are all current and due within 90 days of the statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at June 30, 2019 and 2018, the Company's financial instruments are cash and trade and other payables. The amounts reflected in the statement of financial position approximate their fair values due to their short-term nature.

10. Capital Management

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in businesses or assets. The Company does not have any externally imposed capital requirements to which it is subject. 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 the capital structure, the Company may attempt to issue new shares.

In accordance with TSX-V rules and policies governing Capital Pool Companies, the proceeds raised from the issuance of share capital and from the initial public offering (note 5) may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the TSX-V.

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11. Segmented Information

At June 30, 2019 the Company has one reportable operating segment being the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. All of the Company's assets are located in Canada.

An operating segment is defined as a component of the Company:

- § that engages in business activities from which it may earn revenues and incur expenses;
- § whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- § for which discrete financial information is available.

12. Income Taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before income taxes due to the following:

	Year ended June 30, 2019	Year ended June 30, 2018
Loss before income taxes	\$ (33,694)	\$ (94,424)
Canadian federal and provincial income tax rates	27.0%	26.5%
Income tax expense (recovery) based on Canadian federal and provincial income tax rates	(9,097)	(25,022)
Increase (decrease) attributable to:		
Non-deductible expenditures	-	17,733
Changes in unrecognized deferred tax assets	9,097	7,289
<b>Tax expense</b>	<b>\$ -</b>	<b>\$ -</b>

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

	Year ended June 30, 2019	Year ended June 30, 2018
Non-capital loss carry forwards	\$ 27,696	\$ 12,811
Share issuance costs	16,178	21,965
	<b>\$ 43,873</b>	<b>\$ 34,776</b>

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12. Income Taxes (cont'd)

At June 30, 2019 the Company has non-capital losses of \$102,577 available for carry-forward to reduce future years' income taxes, expiring as follows:

<u>Expiry Date</u>	<u>Amount</u>
June 30, 2037	\$ 10,890
June 30, 2038	36,557
June 30, 2039	55,130
	<u>\$ 102,577</u>

13. Events After the Reporting Date

On August 12, 2019 the Company announced that it had entered into a Letter of Intent (the "LOI") dated August 6, 2019 with Xplore Resources Corp. ("Xplore"), an arm's length private mineral exploration company incorporated under the laws of the Province of Ontario with an interest in the Valk Project located in Province of British Columbia (the "Valk Project" or "Project"). The proposed arm's length business combination (the "Transaction") will result in a reverse takeover of the Company by the shareholders of Xplore and will be a "qualifying transaction" for the Company under TSX-V Policy 2.4 (the "QT"). Upon completion of the Transaction, the Company expects that it, as the resulting issuer (the "Resulting Issuer") will be named Xplore Resources Corp. and will be listed as a Tier 2 Mining Issuer on the TSX-V.

On October 1, 2019 the Company announced that it has entered into a definitive agreement (the "Definitive Agreement") with Xplore, to provide for the completion of the Transaction. The Transaction will occur by way of a three-cornered amalgamation among VON, Xplore and 2717915 Ontario Inc. ("Subco"; a newly formed wholly owned subsidiary of VON) whereby (i) Xplore and Subco will amalgamate to form a new amalgamated company, (ii) each shareholder of Xplore will receive shares of VON, and (iii) the amalgamated company will be a wholly owned subsidiary of VON.

The Transaction will not constitute a non-arm's length transaction, and as such will not require the approval of the Company's shareholders.

The common shares in the capital of Xplore (the "Xplore Shares") outstanding immediately prior to the completion of the Transaction (other than Xplore Shares held by Xplore Shareholders who exercise their dissent rights, if applicable) are expected to be exchanged for fully paid and non-assessable common shares in the capital of the Resulting Issuer (the "Resulting Issuer Shares") on a one-for-one basis. It is expected that there will be approximately 16,000,000 shares of Xplore outstanding prior to closing the QT, although additional shares may be issued as part of a pre-closing financing in Xplore.

The completion of the Transaction is subject to the satisfaction of various conditions that are standard for a transaction of this nature, including but not limited to (i) the completion of a concurrent financing by Xplore for up to \$1,000,000 (the "Financing"); and (ii) receipt of all requisite regulatory, TSX-V, court or governmental authorizations and third party approvals or consents. No finder's fees will be paid in connection with the QT. It is not expected that the Company will be advancing any funds to Xplore prior to closing of the QT.

Subject to satisfaction or waiver of the conditions precedent referred to herein and in the Definitive Agreement, the Company and Xplore anticipate the Transaction will be completed on or before November 30, 2019.