

# **HOPE WELL CAPITAL CORP.**

Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three-month and Nine-month Ended October 31, 2018 and 2017

(Unaudited)

# HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at October 31, 2018 and January 31, 2018

	October 31 2018	January 31 2018
<b>Assets</b>		
Current assets:		
Cash (note 3)	\$ 998,161	\$ 1,123,588
Prepays and expense advances	91,087	-
<b>Total assets</b>	<b>\$ 1,089,248</b>	<b>\$ 1,123,588</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 141,797	\$ 61,495
Total liabilities	141,797	61,495
<b>Equity:</b>		
Share capital (note 4)	1,083,704	1,083,704
Contributed surplus (note 4)	281,321	281,321
Deficit	(417,574)	(302,932)
Total equity	947,451	1,062,093
<b>Total liabilities and equity</b>	<b>\$ 1,089,248</b>	<b>\$ 1,123,588</b>

Nature of operations (Note 1)

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

**On behalf of the Board:**

"Sheldon Kales" \_\_\_\_\_ Director

"Peiwei Ni" \_\_\_\_\_ Director

# HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

	Three-month period ended October 31,		Nine-month period ended October 31,	
	2018	2017	2018	2017
<b>Expenses:</b>				
TSXV filing fees and others	\$ 36,614	\$ 588	\$ 51,743	\$ 24,329
Stock-based compensation (Note 4)	-	12,577	-	26,897
Professional fees	9,739	14,310	62,899	43,864
<b>Net loss and comprehensive loss</b>	<b>\$ (46,353)</b>	<b>\$ (27,475)</b>	<b>\$ (114,642)</b>	<b>\$ (95,090)</b>
Loss per share				
Basic	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding				
Basic	6,249,999	6,249,999	6,249,999	4,166,666
Diluted	6,249,999	6,249,999	6,249,999	4,166.666

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

# HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

For the Nine Months Ended October 31, 2018 and 2017

	Number of Common Share	Share Capital	Contributed Surplus	Deficit	Total
Balance, January 31, 2017	1,475,000	\$ 147,500	\$ -	\$ (37,776)	\$ 109,724
Common shares issued pursuant to offering	6,249,999	1,250,000	-	-	1,250,000
Share issue cost	-	(208,334)	-	-	(208,334)
Stock-based compensation	-	-	43,241	-	43,241
Net loss for the 9-month period ending Oct 31, 2017	-	-	-	(95,090)	(95,090)
<b>Balance, October 31, 2017</b>	<b>7,724,999</b>	<b>\$ 1,189,166</b>	<b>43,241</b>	<b>\$ (132,866)</b>	<b>\$ 1,099,541</b>
Share issue cost	-	(105,462)	90,302	-	(15,160)
Stock-based compensation	-	-	147,778	-	147,778
Net loss for the 3-month period ending Jan 31, 2018	-	-	-	(170,066)	(170,066)
Balance, January 31, 2018	7,724,999	\$ 1,083,704	\$ 281,321	\$ (302,932)	\$ 1,062,093
Net loss for the 9-month period ending Oct 31, 2018	-	-	-	(114,642)	(114,642)
<b>Balance, October 31, 2018</b>	<b>7,724,999</b>	<b>\$ 1,083,704</b>	<b>\$ 281,321</b>	<b>\$ (417,574)</b>	<b>\$ 947,451</b>

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

# HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

For the Nine Months Ended October 31, 2018 and 2017

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	October 31, 2018	October 31, 2017
<b>Cash flows from operating activities:</b>		
Net loss for the period	\$ (114,642)	\$ (95,090)
Change in non-cash operating working capital:		
Prepaid expenses	(91,087)	30,000
Advances payable and accrued liabilities	80,302	23,935
Stock-based compensation	-	26,897
Cash used in operating activities	(125,427)	(14,258)
<b>Cash flows from financing activities:</b>		
Proceeds from share issuance	-	1,250,000
Costs of share issuance	-	(191,990)
Cash provided by financing activities	-	1,058,010
<b>Decrease/Increase in Cash</b>	<b>(125,427)</b>	<b>1,043,752</b>
<b>Cash, beginning of period</b>	<b>1,123,588</b>	<b>97,668</b>
<b>Cash, end of period</b>	<b>\$ 998,161</b>	<b>\$ 1,141,420</b>

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

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 1. Nature of operations

Hope Well Capital Corp. (the "Corporation" or "HWCC") was incorporated under the *Business Corporations Act* (Ontario) on December 1, 2016 with the intent of being classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange").

On May 3, 2017, the Corporation completed its initial public offering pursuant to a prospectus dated March 24, 2017 by issuing 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000. The common shares of the Corporation were listed on the Exchange on May 9, 2017 under the symbol "HOPE.P" and the Corporation was classified as a CPC.

The Corporation has no assets other than cash and prepaids. The Corporation proposes to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition or participation.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the Exchange. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Corporation will be able to complete a Qualifying Transaction within twenty-four months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or de-list the Corporation's common shares from trading should it not meet these requirements.

The address of the Corporation's registered office, as of the year end date, was Suite 3000, 77 King Street West, Toronto, Ontario. These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 31, 2018.

#### Definitive Agreement

Hope Well Capital Corp. and its wholly owned subsidiary, 2644246 Ontario Limited. ("Hope Well Sub"), which was incorporated on July 5, 2018, and is inactive, have entered into an amalgamation agreement dated July 27, 2018 (the "Definitive Agreement") with Payfare Inc. ("Payfare"), to provide for the completion of a business combination with the Corporation (the

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 1. Nature of operations (continued)

"Transaction"), as more particularly described below. The proposed Transaction and the Offering (as defined below)

were initially announced in the Corporation's press release dated November 20, 2017, indicating that the Corporation and Payfare had entered into a letter of intent in respect of the Transaction.

In connection with the Transaction, Payfare completed, on July 27, 2018, a private placement (the "Offering") of 7,850,878 subscription receipts (the "Subscription Receipts") for gross proceeds of approximately \$5.10 million through a combination of a brokered Offering (the "Brokered Offering") led by Mackie Research Capital Corporation ("Mackie") and a non-brokered Offering (the "Non-Brokered Offering").

The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the Exchange. If completed, the Transaction will constitute the Corporation's "Qualifying Transaction" (as such term is defined in TSXV Policy 2.4 – Capital Pool Companies).

#### The Qualifying Transaction

Pursuant to the Transaction, the Corporation and Payfare will complete a "three-cornered" amalgamation under the provisions of the Business Corporation Act (Ontario), pursuant to which Payfare will amalgamate with a wholly-owned subsidiary of the Corporation (the "Amalgamation").

Immediately prior to the closing of the Amalgamation, the Corporation will complete a consolidation (the "Consolidation") of its common shares on the basis of 1.580113 pre-Consolidation shares for one (1) post-Consolidation share. The Consolidation will reflect a deemed Transaction value of \$0.41 per the Corporation's common share on a pre-Consolidation basis. Upon closing of the Amalgamation, the Corporation will also change its name to "Payfare Corp." or such other name approved by the Corporation and Payfare and acceptable to the applicable regulatory authorities (the "Name Change").

Pursuant to the Amalgamation, the outstanding Payfare Shares will be exchanged for post-Consolidation common shares of the Corporation on a 1:1 basis, resulting in the existing holders of Payfare Shares (including investors under the Offering) becoming holders of post-Consolidation common shares of the Corporation post-Transaction. Subject to the Exchange's

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 1. Nature of operations (continued)

approval, the outstanding convertible securities of Payfare will be exchanged pursuant to the Amalgamation for comparable securities of the Corporation having substantially the same terms and conditions (and, for greater certainty, being economically equivalent to the exchanged convertible securities of Payfare). The amalgamated entity will be a wholly-owned subsidiary of the Corporation post-Transaction and the Corporation on a post-Transaction basis will be the "Resulting Issuer".

The material conditions required to be fulfilled by the parties prior to completion of the Transaction include the following: (i) the entering into of the Definitive Agreement and other agreements necessary in connection with the Transaction; (ii) receipt of all required approvals, including the Exchange's approval, the approval of the shareholders of Payfare in respect of the Transaction and related matters, and all necessary consents of lenders and other third parties; (iii) completion of the Consolidation and the Name Change; (iv) upon completion of the Transaction, the Resulting Issuer meeting the applicable minimum listing requirements as a technology issuer, including, without limitation, the public float requirements of the Exchange; (v) immediately prior to the closing of the Transaction, each of the parties required by the Exchange shall have entered into an escrow agreement upon the terms and conditions imposed pursuant to the policies of the Exchange; and (vi) certain other customary conditions for a transaction of this nature.

It is intended that the Resulting Issuer will be listed as a technology issuer. The parties will be seeking an exemption from the requirement for sponsorship of the Transaction, but in the event an exemption is not available, will seek a sponsorship relationship for this Transaction with Mackie, and will update the markets accordingly.

The Transaction will constitute an arm's-length transaction, and as such, the Transaction will not require approval by the shareholders of the Corporation. However, the Corporation held a shareholders' meeting on June 28, 2018 and received shareholder approval for, among other things, the Consolidation and the Name Change. The Corporation intends to prepare and submit a filing statement in connection with the Transaction in due course.

#### Private Placement

Payfare closed the Offering of 7,850,878 Subscription Receipts for aggregate gross proceeds of approximately \$5.10 million on July 27, 2018. Approximately \$2.01 million of the Subscription Receipts was sold in the Brokered Offering pursuant to an agency agreement dated July 27, 2018 (the "Agency Agreement") with a syndicate led by Mackie and including Haywood Securities

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 1. Nature of operations (continued)

Inc. and Canaccord Genuity Corp. (collectively, the "Agents"). The Agency Agreement provides for a minimum of \$5 million and a maximum of \$12 million of gross proceeds of the Offering, from both the Brokered Offering and the Non-Brokered Offering, at an issue price of \$0.65 per

Subscription Receipt, subject to an option of the Agents to purchase up to an additional 2,769,230 Subscription Receipts at the same issue price. Approximately \$3.09 million of the Subscription Receipts were sold in the Non-Brokered Offering by Payfare.

Each Subscription Receipt will entitle the holder thereof to one unit of Payfare (a "Payfare Unit") upon the satisfaction of certain escrow release conditions (the "Release Conditions"), as discussed below, which must be satisfied within 120 days following the closing of the Offering (the "Deadline"). Each Payfare Unit will be comprised of one Payfare Share and one warrant to acquire one Payfare Share (a "Payfare Warrant"), with each Payfare Warrant exercisable for a period of 24 months from the Transaction closing date at an exercise price of \$1.25 per share. The expiry date of the Payfare Warrants may be accelerated by the Resulting Issuer at any time following the six-month anniversary of the Transaction closing date and prior to the expiry date of the Payfare Warrants, if the volume-weighted average trading price of the Resulting Issuer Shares is greater than \$1.65 for any 20 consecutive trading days. The gross proceeds of the Offering (other than the Agents' expenses, a \$65,000 advisory fee payable to Mackie and 50% of the Agents' commission) are held in escrow until the Release Conditions have been satisfied.

In connection with the Transaction, the Payfare Shares issued pursuant to conversion of the Subscription Receipts will be converted into an equivalent number of Resulting Issuer Shares on a post-Consolidation basis. Assuming the Release Conditions are satisfied, each Subscription Receipt will ultimately entitle the holder thereof to one Resulting Issuer Share and one warrant to purchase one Resulting Issuer Share on the same terms as the Payfare Warrants. The Release Conditions include: (i) the Definitive Agreement between Payfare and the Corporation regarding the Transaction shall have been entered into on terms acceptable to the Agents and all conditions precedent to the Amalgamation shall have occurred, (ii) the Exchange shall have conditionally approved the listing of the Resulting Issuer Shares issuable pursuant to the Transaction, (iii) the receipt of all regulatory, shareholder and third-party approvals, if any, required in connection with the Amalgamation, (iv) Payfare shall have raised a minimum of \$5 million gross proceeds in the Offering, and (v) Payfare and the Corporation shall not be in breach of any conditions of the subscription receipt agreement relating to the Subscription Receipts, and all conditions set out in the Agency Agreement and subscription receipt agreement shall have been fulfilled.

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## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 1. Nature of operations (continued)

The Agents are entitled to a cash commission in the amount of 7% of the gross proceeds raised under the Brokered Offering, 50% of which were paid to the Agents on closing of the Offering, and 50% of which are held in escrow to be released when the Release Conditions are satisfied.

Mackie is entitled to an advisory fee of \$65,000 which was paid on the closing of the Offering. In addition, the Agents received compensation warrants (the "Agents' Warrants") in an amount equal to 7% of the number of Subscription Receipts sold pursuant to the Brokered Offering, each of which will entitle the holder to acquire one Resulting Issuer Share upon the payment of \$0.65 for a period of two years following the closing of the Transaction. The Agents' Warrants are only exercisable upon satisfaction of the Release Conditions on or before the Deadline.

### 2. Significant accounting policies

#### *Statement of compliance*

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**") under IFRS as issued by the International Accounting Standards Board ("**IASB**"). These unaudited interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended January 31, 2018.

#### *Basis of measurement*

These unaudited interim condensed consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### *Adoption of new accounting policy*

Adoption of IFRS 15, revenue from contracts with customers and IFRS 9, financial instruments: classification and measurement have no impact to the Corporation.

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 3. Cash

Once the Corporation has been classified as a Capital Pool Company, the proceeds raised from the issuance of capital stock may only be used to identify and evaluate assets or businesses for future investments, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenditures of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

### 4. Share Capital

#### *Authorized Unlimited Common Shares*

The Corporation is authorized to issue an unlimited number of common shares, and on April 30, 2017, the Corporation issued 1,475,000 common shares at \$0.10 per share for total proceeds of \$147,500.

On May 3, 2017, the Corporation completed its initial public offering pursuant to the Prospectus through its agent, Mackie Research Capital Corporation (the "Agent") of 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000.

As consideration for its role as agent, the Corporation granted to the Agent a non-transferable option to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. In addition, the Agent received a cash commission in an amount equal to 10% of the gross proceeds of the initial public offering, a work fee of \$15,000 and reimbursement of certain expenses.

Upon closing of the initial public offering, the Corporation also granted 772,500 incentive stock options to its directors and officers which are exercisable for a period of five years at an exercise price of \$0.20 per share. On June 29, 2017, the Corporation received the resignation from a director and officer, and the 270,375 options granted to this director and officer expired on September 29, 2017 without being exercised in accordance with the terms of the stock option plan. On November 6, 2017, the Corporation granted a total of 270,374 options to two directors, exercisable at a price of \$0.21 per share until November 6, 2022. As at April 30, 2018, the Corporation had a total of 772,499 stock options outstanding and exercisable, with 502,125 stock

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 4. Share Capital (continued)

options exercisable for a period of five years until May 3, 2022 at an exercise price of \$0.20 per share, and 270,374 stock options exercisable for a period of five years until November 6, 2022 at an exercise price of \$0.21 per share.

#### *Escrow shares*

All the 1,475,000 common shares issued prior to the initial public offering and all common shares that may be acquired from treasury of the Corporation by non-arm's length parties, as defined in the policies of the Exchange, of the Corporation prior to the completion of the Qualifying Transaction will be deposited with the trustee under the escrow agreement. Under the Discount Seed Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. This release schedule may be accelerated if the Corporation is listed as a Tier 1 Issuer.

All common shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the common shares will be released from escrow in accordance with the terms of the escrow agreement.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed. As at July 3, 2018, 1,475,000 common shares were held in escrow.

# HOPE WELL CAPITAL CORP.

## Notes to Interim Condensed Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2018 and 2017

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### 5. Related Party Transactions

During the three months and nine months ended October 31, 2018, the Corporation did not enter into transactions with related parties, and no remuneration was paid to directors or officers of the Corporation.

### 6. Subsequent Events

On November 20, 2018, Payfare and the Agents extended the escrow release Deadline for the Subscription Receipts financing proceeds from November 26, 2018 to December 31, 2018, which Deadline was further extended on December 31, 2018 to January 31, 2019. Also on November 20, 2018, Payfare and the Corporation agreed to extend the completion date for the Amalgamation to January 31, 2019 and if the Amalgamation has not been closed on or before December 31, 2018, the consolidation ratio for the Corporation's shares will be reduced from 1.580113 to 1.43646643 so that the Corporation's shareholders will have 5,377,779 (instead of 4,888,890) post-consolidation shares on closing of the Amalgamation.