

HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three-month and Nine-month Periods Ended Oct 31, 2019 and 2018

(Unaudited)

HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at October 31, 2019 and January 31, 2019

	October 31, 2019	January 31, 2019
Assets		
Current assets:		
Cash (note 3)	\$ 530,793	\$ 865,296
GICs (note 1)	392,412	-
Total assets	\$ 923,205	\$ 865,296
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,530	\$ 118,896
Total liabilities	71,530	118,896
Equity:		
Share capital (note 4)	1,083,704	1,083,704
Contributed surplus (note 4)	281,321	281,321
Deficit	(513,350)	(618,625)
Total equity	851,675	746,400
Total liabilities and equity	\$ 923,205	\$ 865,296

Nature of operations (Note 1)

Subsequent events (Note 6)

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

On behalf of the Board:

“Sheldon Kales” _____ Director

“Bill Hong Ye” _____ Director

HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Operations and Comprehensive Profit (Loss)

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2019 and 2018

	Three-month periods ended		Nine-month periods ended	
	October 31,		October 31,	
	2019	2018	2019	2018
Other Income:				
Interest income	\$ 1,250	\$ -	\$ 1,834	\$ -
Expenses:				
TSXV filing fees and others	\$ (4,807)	\$ (36,614)	\$ (22,118)	\$ (51,743)
Stock-based compensation	-	-	-	-
Professional fees	(9,218)	(9,739)	(174,441)	(62,899)
Settlement fees (note1)	-	-	300,000	-
Net profit (loss) and Comprehensive profit (loss)	\$ (12,775)	\$ (46,353)	\$ 105,275	\$ (114,642)
Earning (Loss) per share				
Basic	\$ (0.002)	\$ (0.006)	\$ 0.014	\$ (0.015)
Diluted	\$ (0.002)	\$ (0.006)	\$ 0.014	\$ (0.015)
Weighted average number of shares outstanding				
Basic	7,724,999	7,724,999	7,724,999	7,724,999
Diluted	7,724,999	7,724,999	7,724,999	7,724,999

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, 2019 and 2018

	Common Share	Number of Capital	Share Surplus	Contributed Deficit	Total
Balance, February 1, 2018	7,724,999	\$1,083,704	\$ 281,321	\$ (302,932)	\$ 1,062,093
Net loss for 9-month period ending Oct 31, 2018	-	-	-	(114,642)	(114,642)
Balance, October 31, 2018	7,724,999	1,083,704	281,321	(417,574)	947,451
Net loss for 3-month period ending Jan 31, 2019	-	-	-	(201,051)	(201,051)
Balance, January 31, 2019	7,724,999	\$ 1,083,704	\$ 281,321	\$ (618,625)	\$ 746,400
Net profit for 9-month period ending Oct 31, 2019	-	-	-	105,275	105,275
Balance, October 31, 2019	7,724,999	\$ 1,083,704	\$ 281,321	\$ (513,350)	\$ 851,675

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, 2019 and 2018

	October 31, 2019	October 31, 2018
Cash flows from operating activities:		
Net income (loss) for the period	\$ 105,275	\$ (114,642)
Change in non-cash operating working capital:		
Prepaid expenses	-	(91,087)
Advances payable and accrued liabilities	(47,366)	80,302
Cash used in operating activities	57,909	(125,427)
Cash flows from financing activities:		
Proceeds from share issuance	-	-
Costs of share issuance	-	-
Cash provided by financing activities	-	-
Decrease/Increase in Cash	57,909	(125,427)
Cash, beginning of period	865,296	1,123,588
Cash, end of period	\$ 923,205	\$ 998,161

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, 2019 and 2018

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. The Corporation proposes to identify and evaluate potential acquisitions of businesses (for a "Qualifying Transaction"), 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 has suspended and may de-list the Corporation's common shares from trading should it not meet these requirements.

Hope Well Capital Corp. has its wholly owned subsidiary, 2644246 Ontario Limited. ("Hope Well Sub"), which was incorporated on July 5, 2018, and is inactive. These consolidated financial statements include the financial statements of the Corporation and its wholly owned subsidiary.

The address of the Corporation's registered office, as of October 31, 2019, was Suite 3000, 77 King Street West, Toronto, Ontario. These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 30, 2019.

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Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2019 and 2018

1. Nature of operations (continued)

Termination of Payfare Transaction

On November 17, 2017, the Corporation entered into a letter of intent (the "LOI") for a business combination (the "Payfare Transaction") with Payfare Inc. ("Payfare"), that would have resulted in a reverse take-over of HWCC on the Exchange. If completed, the Payfare Transaction was intended to constitute the "Qualifying Transaction" of the Corporation under Policy 2.4 - Capital Pool Companies (the "CPC Policy") of the Exchange. Subsequently, the Corporation and its wholly owned subsidiary, 2644246 Ontario Limited entered into an amalgamation agreement with Payfare on July 27, 2018, which was amended and restated on September 27, 2018, further amended on November 20, 2018 and further amended and restated on March 4, 2019 (the "Amalgamation Agreement").

On March 6, 2019, the Exchange conditionally approved the listing of the resulting issuer on closing of the Payfare Transaction between the Corporation and Payfare.

On March 15, 2019, the Corporation received an email notice from Payfare with a copy of a non-binding letter of intent from an unidentified party to purportedly acquire all outstanding securities of Payfare for a cash and stock transaction (the "Alternative Offer"). Payfare claimed that the Alternative Offer was a "Superior Merger Proposal" under the Amalgamation Agreement and terminated the Payfare Transaction with the Corporation on March 27, 2019.

The Corporation disputed Payfare's claims and commenced a legal action against Payfare with respect to Payfare's non-compliance with the Amalgamation Agreement claiming, among other things, breach of contract, seeking damages including expenses incurred by the Corporation in connection with the Payfare Transaction.

On June 12, 2019, the Corporation entered into a settlement agreement with full and final mutual releases with Payfare in connection with claims made by the Corporation against Payfare and counterclaims made by Payfare against the Corporation in a court action regarding the disputes on Payfare's termination of the proposed Payfare Transaction. The parties settled the disputes without admission of liability. Settlement fee of \$300,000 was received together with remaining balance of retainer for \$90,577.58, which was deposited into GIC account with one-year term and annual interest rate of 1.27% maturing on June 19, 2020.

The Corporation's shares resumed trading on the Exchange on April 9, 2019. It will seek a new target for its qualifying transaction in accordance with the rules of the Exchange.

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Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2019 and 2018

1. Nature of operations (continued)

On May 10, 2019, the Exchange suspended trading of the Corporation's shares in accordance with the Exchange policy as the Corporation did not complete a qualifying transaction by May 9, 2019, which was two years from listing on the Exchange. The trading of the Corporation's shares on the Exchange will remain suspended until the Corporation completes a qualifying transaction, or the applicable Exchange policy has been amended.

2. Significant accounting policies

a) 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 consolidated 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, 2019.

b) 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.

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.

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Three-month and Nine-month Periods Ended October 31, 2019 and 2018

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 (the "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 of October 31, 2019, the Corporation had 7,724,999 issued and outstanding common shares. The Corporation obtained shareholder approval at the shareholders' meeting held on August 6, 2019 for cancelling 1,075,000 founder shares of the Corporation issued to insiders prior to the Corporation's initial public offering. The Corporation has yet to apply to the Exchange to cancel these founder shares pending the outcome of the regulatory approval for certain amendments to the Exchange's CPC Policy.

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. The Agent's option expired on 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.

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Notes to Interim Condensed Consolidated Financial Statements

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Three-month and Nine-month Periods Ended October 31, 2019 and 2018

4. Share capital (continued)

Escrow shares

All the 1,475,000 common shares issued prior to the 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 October 31, 2019, 1,475,000 common shares were held in escrow.

Stock Option Plan

During the year ended January 31, 2018, the directors of the Corporation approved a stock option plan (the "Plan") for the directors, officers, employees and consultants of the Corporation. The outstanding options granted under the Plan are exercisable for a period of up to 10 years from the date of the grant. The exercise price of the options shall be determined by the Board of Directors at the time of the grant. The aggregate number of shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. The number of common shares reserved for issuance to (a) any participant will not exceed 5% of the issued and outstanding common shares in a twelve-month period, and (b) any individual director or officer will not exceed 5% of the issued and outstanding common shares while the corporation is a CPC, and (c) any person conducting

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Three-month and Nine-month Periods Ended October 31, 2019 and 2018

4. Share capital (continued)

investor relations activities within a 12 month period shall not exceed 2% of the common shares outstanding at the time of grant, provided that, while the Corporation is a CPC, no common shares may be reserved for issuance to any persons conducting investor relations activities, promotional or market-making services, and (d) Insiders shall not exceed 10% of the common shares outstanding from time to time, and (e) Insiders within a 12 month period shall not exceed 10% of the common shares outstanding from time to time; and (f) to any one consultant in any 12 month period shall not exceed 2% of the common shares outstanding at the time of the grant. Options granted to an optionee while the Corporation is a CPC who does not continue as a director, officer, technical consultant or employee of the resulting issuer may be exercised until the later of 12 months after the completion of the Qualifying Transaction and 90 days after the optionee ceases to be a director, officer, technical consultant or employee of the resulting issuer.

As at October 31, 2019, the Corporation had a total of 772,499 stock options outstanding and exercisable, with 502,125 stock 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. The stock options were valued using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 100%, risk free return on May 3, 2017 of 0.99%, risk free return on November 6, 2017 of 1.63% and an expected remaining life of five years.

Agent's Option

During the year ended January 31, 2018, and in connection with the Offering, the Corporation granted to agent, Mackie Research Capital Corporation ("Mackie") a non-transferable option (the "Agent's 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. The Agent's Option expired on May 3, 2019, and as at October 31, 2019 no Agent's Option was outstanding.

5. Related party transactions

During the nine months period ended October 31, 2019, the Corporation paid legal fees of \$45,540 provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019.

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(Unaudited)

Three-month and Nine-month Periods Ended October 31, 2019 and 2018

There was no other transaction with related parties and no remuneration was paid to key management personnel during the nine months ended October 31, 2019.

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

6. Subsequent events

The Corporation obtained shareholder approval at the shareholders' meeting held on August 6, 2019 for transferring the listing of the Corporation's shares on the NEX board of the Exchange and for cancelling certain of the founder shares of the Corporation issued prior to the Corporation's initial public offering. The Corporation has yet to apply to the Exchange to transfer its listing to the NEX board and to cancel certain of the founder shares pending the outcome of the regulatory approval for certain amendments to the Exchange's CPC Policy.