

HOPE WELL CAPITAL CORP.

Annual Consolidated Financial Statements
(Expressed in Canadian dollars)

For Years Ended January 31, 2020 and 2019

Independent Auditor's Report

To the Shareholders of Hope Well Capital Corp.:

Opinion

We have audited the consolidated financial statements of Hope Well Capital Corp. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at January 31, 2020 and January 31, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at January 31, 2020 and January 31, 2019, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Corporation'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 Corporation'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 consolidated 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Isabella Lee.

Mississauga, Ontario

May 20, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

HOPE WELL Capital Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at January 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 854,997	\$ 865,296
Total assets	\$ 854,997	\$ 865,296
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,013	\$ 118,896
Total liabilities	19,013	118,896
Equity:		
Share capital (note 4)	1,083,704	1,083,704
Contributed surplus (note 4)	281,321	281,321
Deficit	(529,041)	(618,625)
Total equity	835,984	746,400
Total liabilities and equity	\$ 854,997	\$ 865,296

Nature of operations (Note 1)

Subsequent events (Note 9)

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

On behalf of the Board:

Signed "Sheldon Kale" Director

Signed "Peiwei Ni" Director

HOPE WELL CAPITAL CORP.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

	2020	2019
Other Income:		
Interest Income	\$ 3,085	\$ -
Lawsuit Settlement (note 1)	300,000	-
Expenses:		
TSXV filing fees and others	22,201	51,470
Professional fees (note 8)	191,300	264,223
Net income (loss) and comprehensive income (loss)	\$ 89,584	\$ (315,693)
Earning (Loss) per share		
Basic	\$ 0.015	\$ (0.051)
Diluted	\$ 0.015	\$ (0.051)
Weighted average number of shares outstanding		
Basic	6,249,999	6,249,999
Diluted	6,249,999	6,249,999

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

HOPE WELL CAPITAL CORP.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

	Number of Common Share	Share Capital	Contributed Surplus	Deficit	Total
Balance, February 1, 2018	7,724,999	\$1,083,704	\$ 281,321	\$ (302,932)	\$ 1,062,093
Net loss for the year	-	-	-	(315,693)	(315,693)
Balance, January 31, 2019	7,724,999	1,083,704	281,321	(618,625)	746,400
Net income for the year	-	-	-	89,584	89,584
Balance, January 31, 2020	7,724,999	\$ 1,083,704	\$ 281,321	\$ (529,041)	\$ 835,984

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

HOPE WELL CAPITAL CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net income (loss) for the year	\$ 89,584	\$ (315,693)
Change in non-cash operating working capital:		
Accounts payable and accrued liabilities	(99,883)	57,401
Cash used in operating activities	(10,299)	(258,292)
Decrease in Cash and cash equivalents	(10,299)	(258,292)
Cash and cash equivalents, beginning of year	865,296	1,123,588
Cash, end of year	461,335	865,296
Cash equivalents, end of year	393,662	-
Cash and cash equivalents, end of year	\$ 854,997	\$ 865,296

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

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

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 cash equivalents. 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.

On May 10, 2019, the Exchange suspended trading of the Corporation's shares in accordance with the Exchange policy as the Corporation was not able to identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, which was by May 9, 2019. 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. The Corporation continues to pursue its search for a Qualifying Transaction.

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.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

1. Nature of operations (continued)

The address of the Corporation's registered office, as of the year end date, was Suite 3000, 77 King Street West, Toronto, Ontario. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 19, 2020.

Termination of Payfare Transaction

On November 17, 2017, the Corporation entered into a letter of intent 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 a notification 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.

The Corporation's shares resumed trading on the Exchange on April 9, 2019 and continued seeking for a target for its qualifying transaction in accordance with the rules of the Exchange.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

1. Nature of operations (continued)

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. Therefore, settlement fee of \$300,000 was received.

2. Significant accounting policies

a) *Statement of compliance*

The significant accounting policies applied in the Corporation's consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of January 31, 2020.

b) *Basis of measurement*

These 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.

c) *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, which is the Corporation and subsidiary's functional and presentation currency.

d) *Financial instruments*

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition, and general hedge accounting.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

2. Significant accounting policies (continued)

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss (“**FVTPL**”), or fair value through other comprehensive income (“**FVOCI**”). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Financial Assets

The Corporation’s financial assets consist of cash and cash equivalents and measured at FVTPL.

i. Amortized cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

ii. Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Corporation determines that classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs.

Impairment of financial assets

Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

2. Significant accounting policies (continued)

Financial Liabilities

The Company's financial liabilities consist of accounts payable and accrued liabilities and are measured at amortized cost.

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

Financial instruments recorded at fair value

IFRS 9 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value.

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

2. Significant accounting policies (continued)

At January 31, 2020, the Corporation's financial instruments consisted of cash and cash equivalents and accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value due to the relatively short-term maturity of these instruments. Cash and cash equivalents are measured at fair value and was classified within Level 1 of the fair value hierarchy on the consolidated Statements of Financial Position.

e) *Deferred Taxes*

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

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustments to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

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

f) *Share Capital*

Common shares are classified as equity. Costs directly attributable to the issuance of shares are recognized as a deduction from equity.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

2. Significant accounting policies (continued)

g) Basic and Diluted Earning (Loss) per Share

Basic earning (loss) per share is computed by dividing the net income (loss) applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earning (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

h) Share-based Payments

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements.

The Corporation applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized in the respective reporting period. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

i) Use of estimates and key judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

2. Significant accounting policies (continued)

j) IFRS 16 Leases

IFRS 16, Leases (“**IFRS 16**”) was issued by the IASB in January 2016, and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, requiring lessors to classify leases as operating or finance. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been adopted. A lessee will apply IFRS 16 to its leases either retrospectively to each prior reporting period presented; or retrospectively with the cumulative effect of initially applying IFRS 16 being recognized at the date of initial application. The Corporation has no leases and there is no impact in adopting this accounting policy.

k) IFRS 23

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probably that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. There is no impact to the Corporation’s consolidated financial statements on adoption of IFRIC 23.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

3. Cash and cash equivalents

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 (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 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.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

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 January 31, 2020, 1,475,000 common shares were held in escrow.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

4. Share capital (continued)

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 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 January 31, 2020 and 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.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

4. Share capital (continued)

Agent's Option

As at January 31, 2019, Mackie Research Capital Corporation ("**Mackie**") has 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 until May 3, 2019. The Agent's Option expired on May 3, 2019 and was not exercised. As at January 31, 2020, no Agent's Option was outstanding.

5. Income taxes

The reconciliation of the combined federal and provincial corporate income taxes at statutory rates of 26.5% (2019 – 26.5%) to the Corporation's effective income tax expense is as follows:

	January 31, 2020	January 31, 2019
Net profit (loss) before recovery of income taxes	\$ 89,584	\$ (315,693)
Expected income tax (recovery) expense	23,740	(83,659)
Items subject to different tax rates	\$ (34,530)	\$ -
Changes in tax benefits not recognized	10,790	83,659
Income tax (recovery) expense	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	January 31, 2020	January 31, 2019
Non-capital losses carried forward	\$ 602,410	\$ 553,123
Share issuance costs	89,400	188,278

The Canadian losses carry forwards will expire between 2037 and 2040. Share issuance costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

5. Income taxes (Continued)

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the company can utilize the benefits therefrom.

The Corporation's Canadian non-capital income tax losses expire as follows:

2037	\$	37,780
2038		118,840
2039		360,390
2040		<u>85,400</u>
	\$	602,410

6. Financial instruments fair values

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Interest Rate Risk

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities.

HOPE WELL CAPITAL CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2020 and 2019

7. Capital management and risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

8. Related party transactions

During the year ended January 31, 2020, the Corporation paid legal fees of \$116,560 provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019.

There was no other transaction with related parties and no remuneration was paid to key management personnel during the year ended January 31, 2020.

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

9. Subsequent events

- i) On February 6, 2020, the Corporation entered into a letter of intent, as amended as of March 11, 2020 (the "LOI") for a business combination (the "Loc8 Transaction") with Loc8 Corp. ("Loc8"), a corporation existing under the laws of Ontario that will result in a reverse take-over of HWCC on the Exchange. If completed, the Loc8 Transaction is intended to constitute the "Qualifying Transaction" of the CPC Policy of the Exchange.

The proposed Loc8 Transaction is not a "Non-Arm's Length Qualifying Transaction" within the meaning of the CPC Policy of the Exchange and, as such, shareholder approval is not required, unless otherwise required by the Exchange.

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9. Subsequent events (continued)

HWCC and Loc8 will complete the Loc8 Transaction by way of a share exchange, amalgamation, arrangement, share purchase, or other form of transaction which would result in Loc8 becoming a wholly-owned subsidiary of HWCC or otherwise combine its corporate existence with a wholly-owned subsidiary of HWCC. Once the structure is determined, the LOI will be superseded by a definitive agreement between HWCC and Loc8, and the parties will announce the signing of such definitive agreement. Following completion of the Loc8 Transaction, HWCC as the resulting issuer (the "Resulting Issuer") will hold all of Loc8's assets and conduct the business of Loc8.

Prior to, and as a condition of closing of the Loc8 Transaction and subject to TSXV approval, HWCC will consolidate its outstanding shares (the "Consolidation") on the basis of 1.20 pre-Consolidation common shares for one post-Consolidation common share (a "Post-Consolidation Share"). The Resulting Issuer also expects to change its name to "Deepspatial AI Corp." or such other similar name approved by the directors of HWCC and Loc8 and acceptable to the applicable regulatory authorities.

The Corporation will, subject to acceptance by the Exchange and meeting other regulatory requirements, issue Post-Consolidation Shares of the Corporation in exchange for all of the issued and outstanding common shares of Loc8 (the "Loc8 Shares") on the basis of one Loc8 Share for one Post-Consolidation Share. All outstanding convertible securities of Loc8 will be replaced by convertible securities of the Resulting Issuer on a post-Consolidation basis.

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9. Subsequent events (continued)

In conjunction with the Loc8 Transaction, Loc8 and HWCC entered into an engagement letter with Mackie Research Capital Corporation on February 11, 2020 to conduct a brokered private placement (the "Financing") led by Mackie Research Capital Corporation to raise gross proceeds of a minimum of \$2,000,000 and a maximum of \$3,000,000 through the issuance of subscription receipts of Loc8 ("Subscription Receipts"). The Subscription Receipts will be offered at a price to be determined in the context of the market currently expected to be \$0.30 per Subscription Receipt. Upon satisfaction of the escrow release conditions, including all conditions precedent to the Loc8 Transaction being satisfied, each Subscription Receipt will automatically convert without any further action on the part of the holder into one Loc8 Share immediately prior to completion of the Loc8 Transaction. Should the escrow release conditions not be satisfied on or before a certain date which is currently contemplated to be the 180th day after closing of the Financing, the Subscription Receipts will be cancelled and all proceeds from the sale of Subscription Receipts will be returned to the subscribers. On completion of the Loc8 Transaction, each Loc8 Share will be exchanged for one Post-Consolidation Share of the Resulting Issuer.

Pursuant to the terms of the LOI, completion of the Loc8 Transaction will be subject to a number of conditions, including completion of a minimum raise of \$2,000,000 in the Financing, receipt of all required regulatory approvals, including the approval of the Exchange of the Loc8 Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the Exchange and all requirements under the Exchange rules relating to completion of a qualifying transaction, and the execution of a definitive agreement. There can be no assurance that the Loc8 Transaction will be completed as proposed or at all.

The proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the Exchange) and is not expected to be subject to shareholder approval. The Corporation intends to hold a shareholders' meeting to approve the Consolidation, the name change and other related matter requiring shareholder approval under its governing corporate statute. Further details of the proposed transaction, including the consideration to be paid, will follow in future announcements.

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9. Subsequent events (continued)

- ii) Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.