

ECC VENTURES 2 CORP.

Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

As at and for the period from incorporation on
January 15, 2018 to September 30, 2018

ECC Ventures 2 Corp.
(the “Company” or “ECC2”)

INTERIM FINANCIAL STATEMENTS

As at and for the period of incorporation on January 15, 2018 to September 30, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation of the accompanying unaudited interim financial statements. The unaudited interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) for the preparation of interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

ECC VENTURES 2 CORP.

Interim Statement of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	As at September 30, 2018
<hr/>	
Assets	
Current Assets	
Cash	\$ 355,600
Total Assets	\$ 355,600
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Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 5,250
	5,250
Shareholders' Equity	
Share capital (Note 8)	421,371
Reserves	57,114
Deficit	(128,135)
	350,350
Total Liabilities and Shareholders' Equity	\$ 355,600

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on November 21, 2018:

"Scott Ackerman"
Scott Ackerman – CEO/Director

"Doug McFaul"
Doug McFaul - Director

The accompanying notes are an integral part of these Interim Financial Statements

ECC VENTURES 2 CORP.

Interim Statement of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	For the three months ended Sept 30, 2018	For the period from incorporation on January 15, 2018 to Sept 30, 2018
Expenses		
Bank charges	\$ 1	\$ 36
General and administrative	-	840
Professional fees	4,725	59,599
Rent	3,150	5,775
Share-based compensation	-	45,421
Transfer agent and filing fees	-	16,464
Loss and comprehensive loss for the period	\$ 7,876	\$ 128,135
Weighted average number of shares outstanding – basic and diluted (Note 8(b))	3,650,000	2,909,884
Basic and diluted loss per share	\$ (0.00)	\$ (0.04)

The accompanying notes are an integral part of these Interim Financial Statements

ECC VENTURES 2 CORP.

Interim Statement of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Share Capital		Reserve	Deficit	Total Shareholders' Equity
	Number (Note 8(b))	Amount			
Balance, (incorporation) – January 15, 2018	-	\$ -	\$ -	\$ -	\$ -
Common shares issued (Note 8)	2,000,000	100,000	-	-	100,000
Common shares issued (Note 8)	1,650,000	165,000	-	-	165,000
Common shares issued (Note 8)	2,000,000	200,000	-	-	200,000
Share issuance costs	-	(43,629)	11,693	-	(31,936)
Share-based payments	-	-	45,421	-	45,421
Loss for the period	-	-	-	(128,135)	(128,135)
Balance, September 30, 2018	5,650,000	\$ 421,371	57,114	\$ (128,135)	\$ 350,350

The accompanying notes are an integral part of these Interim Financial Statements

ECC VENTURES 2 CORP.

Interim Statement of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	For the period from incorporation on January 15, 2018 to Sept 30, 2018
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Cash provided by / (used for):	
Operating Activities:	
Loss for the period	\$ (128,135)
Items not involving cash:	
Share-based compensation	57,114
Net change in non-cash working capital items:	
Accounts payable and accrued liabilities	5,250
	<hr/> (65,771)
Financing Activities:	
Proceeds from share issuance (Note 8)	421,371
	<hr/> 421,371
Increase in cash for the period	355,600
Cash, beginning of the period	-
	<hr/>
Cash, end of the period	\$ 355,600
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Supplemental information:	
Interest paid	\$ -
Income taxes	\$ -
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There were no significant non-cash transactions during the period from incorporation on January 15, 2018 to September 30, 2018.

The accompanying notes are an integral part of these Interim Financial Statements

ECC VENTURES 2 CORP.

Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

ECC Ventures 2 Corp. (the “Company”) was incorporated on January 15, 2018 under the laws of British Columbia and is classified a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The head office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3, and the records and registered office is located at 2200 HSBC Building 885 West Georgia Street, British Columbia, V6C 3E8.

Since incorporation on January 15, 2018, the Company has had no active business operations. As a CPC, the Company’s business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (“QT”), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V. The Company has an accumulated deficit of \$128,135 as at September 30, 2018. The Company currently has sufficient liquidity to meet its operational requirements for the next fiscal year. However, the Company’s continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition. All of the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

On April 18, 2018, the Company completed its initial public offering (“IPO”), whereby it issued 2,000,000 common shares at \$0.10 per common share for total proceeds of \$200,000 pursuant to a prospectus dated March 27, 2018. See Note 8(b) for details of this transaction.

These financial statements were authorized by the Board of Directors on November 20, 2018.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

ECC VENTURES 2 CORP.

Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

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(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

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Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Share capital**

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. The proceeds from the issue of units is allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

(c) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Contingently issuable shares are not considered outstanding common shares and consequently are not included in loss per share calculations.

(d) Financial instruments***Recognition***

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized costs. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

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

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Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Financial instruments (continued)**

The Company has implemented the following classifications:

- Cash is a financial asset measured at amortized cost.
- Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit or loss.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its 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 the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

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Notes to the Interim Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Critical accounting estimates and judgements**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements**Going Concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1.

Estimates**Deferred tax assets and liabilities**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

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5. ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new accounting standards, amendments to standards and interpretations have been issued. These standards have been assessed to not have a significant impact on the Company's financial statements. Two new accounting standards were adopted during the period; **IFRS 9, *Financial Instruments: Classification and Measurement*** ("IFRS 9"), and **IFRS 15, *Revenue from Contracts with Customers*** ("IFRS 15"), which have an initial application as of the date of incorporation; January 15, 2018.

IFRS 9, *Financial Instruments* (new; to replace IAS 39)

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

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Notes to the Interim Financial Statements

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5. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
Accounts payable & accrued liabilities	Amortized cost

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers (new, to replace IAS 11 and IAS 18)

This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company has adopted this standard effective the date of incorporation January 15, 2018.

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Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

6. RECENT ACCOUNTING PRONOUNCEMENTS

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

IFRS 16 New standard: Replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosures of leases; effective for annual periods beginning on or after January 1, 2019.

7. 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. 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.

As of September 30, 2018, \$Nil was due to related parties.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the period from incorporation on January 15, 2018 to September 30, 2018, \$45,421 was recorded as compensation costs for key management personnel and companies related to them. This amount is attributable to the stock options granted to directors.

8. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at September 30, 2018 the Company had 5,650,000 common shares issued and outstanding.

On January 17, 2018, the Company issued 2,000,000 common shares of the Company at a price of \$0.05 per share for total proceeds of \$100,000. These common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance

ECC VENTURES 2 CORP.

Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**(b) Issued and outstanding (continued)**

of notice of final acceptance of a QT 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.

All of the escrow shares are considered contingently returnable until the Company completes a QT and accordingly they are not considered to be outstanding shares for the purposes of the loss per share calculations.

On January 18, 2018, the Company issued 1,650,000 common shares of the Company at a price of \$0.10 per share for total proceeds of \$165,000.

On April 18, 2018, the Company completed an IPO of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000. The Company also paid a cash commission of \$20,000 and a corporate finance fee of \$10,000 and granted to the agent, options to acquire 200,000 common shares at a price of \$0.10 per common share until April 18, 2020.

	Number of Shares	Amount
		\$
Balance, January 15, 2018	-	-
January 17, 2018 – share issuance	2,000,000	100,000
January 18, 2018 – share issuance	1,650,000	165,000
April 18, 2018 – share issuance	2,000,000	200,000
Share issuance costs	-	(43,629)
Balance, September 30, 2018	5,650,000	421,371

(c) Stock options

On January 22, 2018, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company’s common shares.

ECC VENTURES 2 CORP.

Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**(c) Stock options (continued)**

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must be deposited in escrow until the final exchange bulletin relating to a QT is issued.

In April 2018, the Company granted stock options to directors of the Company to acquire up to an aggregate of 565,000 common shares. Each option is exercisable to acquire one common share at a price of \$0.10 any time prior to April 18, 2023. This resulted in share-based compensation expense using the Black-Scholes option-pricing model of \$45,421. This amount was also recorded as reserves on the statement of financial position. The weighted average fair value of the stock options granted during the year was \$0.10 per option. The risk-free interest rate was 1.75%, with an expected life of 5 years, and an annualized volatility of 113%.

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

	Number of Options	Weighted Average Exercise Price
Balance, January 15, 2018	-	\$ -
Granted	565,000	0.10
Balance, September 30, 2018	565,000	\$0.10

ECC VENTURES 2 CORP.

Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)**(c) Stock options (continued)**

As at September 30, 2018, outstanding options were as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
April 18, 2018	565,000	\$0.10	April 18, 2023	4.55
Fully vested and exercisable, Sept 30, 2018		565,000	\$0.10	

(d) Agent options

As part of the IPO on April 18, 2018, the Company granted to the agent 200,000 common shares at a price of \$0.10 per common share until April 18, 2020. This resulted in share-based compensation expense using the Black-Scholes option-pricing model of \$11,693. This amount was recorded as part of the share issuance costs and netted against reserves on the statement of financial position. The weighted average fair value of these stock options granted to the agent was \$0.10 per option. The risk-free interest rate was 1.75%, with an expected life of 5 years, and an annualized volatility of 113%.

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

	Number of Options	Weighted average Exercise Price
Balance, as at January 15, 2018	-	\$ -
Granted	200,000	0.10
Balance, September 30, 2018	200,000	\$0.10

As at September 30, 2018, outstanding agent options were as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
April 18, 2018	200,000	\$0.10	April 18, 2020	1.55
Fully vested and exercisable, Sept 30, 2018		200,000	\$0.10	

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Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

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9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended September 30, 2018, was based on the loss attributable to common shareholders of \$128,135 and the weighted average number of common shares outstanding of 2,909,884.

Escrow shares are considered contingently returnable until the Company completes a QT. Accordingly, subsequent to the Company's listing on the TSX-V on April 18, 2018, the 2,000,000 shares held in escrow will not be considered to be outstanding shares for the purposes of the loss per share calculations.

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2018
	\$
Loss before income taxes	128,135
Expected income tax recovery at statutory rates	25,602
Change in unrecognized deferred tax assets	(25,602)
Income tax expense (recovery)	-

Significant components of the Company's deferred income tax assets (liabilities) not recognized are shown below:

	2018
	\$
Non-capital losses carried forward	128,135

As at September 30, 2018, the Company had approximately \$128,135 of non-capital loss carry forwards available to reduce taxable income for future years. The non-capital losses start to expire in 2038.

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11. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The 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 common shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a QT by the Company as defined under the Exchange Policy 2.4.

12. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at September 30, 2018, the Company is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates so it has no negative exposure to changes in the market interest rate.

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12. FINANCIAL INSTRUMENTS (continued)**Market Risk (continued)****(iii) Price rate risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2018, the Company has no sources of revenue but has a cash balance of \$355,600 to settle current liabilities of \$5,250. As such, management feels the Company has sufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year. The Company's exposure to liquidity risk is currently negligible.

ECC VENTURES 2 CORP.

Notes to the Interim Financial Statements

For the period from incorporation on January 15, 2018 to September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS (continued)**Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at September 30, 2018 and January 15, 2018, the Company's financial instruments consist of cash, accounts payable and accrued liabilities. Cash is classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.