

ECC VENTURES 2 CORP.

(Expressed in Canadian Dollars)

For the period from incorporation on
January 15, 2018 to December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
ECC Ventures 2 Corp.

Opinion

We have audited the accompanying financial statements of ECC Ventures 2 Corp. (the “Company”), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the period from incorporation on January 15, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that since incorporation on January 15, 2018, the Company has had no active business operations. Furthermore, the Company has an accumulated deficit of \$150,142 as at December 31, 2018. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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, 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

ECC VENTURES 2 CORP.
Statement of Financial Position
(Expressed in Canadian dollars)

As at
December 31, 2018

Assets	
Current Assets	
Cash	\$ 342,473
Total Assets	\$ 342,473
Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 24,630
	24,630
Shareholders' Equity	
Share capital (Note 7)	410,871
Reserves (Note 7)	57,114
Deficit	(150,142)
	317,843
Total Liabilities and Shareholders' Equity	\$ 342,473

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approved on Behalf of the Board on April 30, 2019:

"Scott Ackerman"
Scott Ackerman – CEO/CFO/Director

"Doug McFaul"
Doug McFaul – Director

The accompanying notes are an integral part of these Financial Statements

ECC VENTURES 2 CORP.

Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	For the period from incorporation on January 15, 2018 to December 31, 2018
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Expenses	
Bank charges	\$ 39
General and administrative	840
Professional fees	72,523
Rent	8,925
Share-based payments (Note 7)	45,421
Transfer agent and filing fees	22,394
Loss and comprehensive loss for the period	\$ (150,142)
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Weighted average number of common shares outstanding – basic and diluted (Note 8)	3,104,429
Basic and diluted loss per share	\$ (0.05)

The accompanying notes are an integral part of these Financial Statements

ECC VENTURES 2 CORP.

Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total Shareholders' Equity
	Number	Amount			
Balance, January 15, 2018 (incorporation)	-	\$ -	\$ -	\$ -	\$ -
Common shares issued for cash (Note 7)	5,650,000	465,000	-	-	465,000
Share issuance costs (Note 7)	-	(54,129)	11,693	-	(42,436)
Share-based payments (Note 7)	-	-	45,421	-	45,421
Loss for the period	-	-	-	(150,142)	(150,142)
Balance, December 31, 2018	5,650,000	\$ 410,871	57,114	\$ (150,142)	\$ 317,843

The accompanying notes are an integral part of these Financial Statements

ECC VENTURES 2 CORP.
Statement of Cash Flows
(Expressed in Canadian dollars)

	For the period from incorporation on January 15, 2018 to December 31, 2018	
Cash provided by (used in):		
Operating Activities:		
Loss for the period	\$	(150,142)
Items not involving cash:		
Share-based payments		45,421
Changes in non-cash working capital item:		
Accounts payable and accrued liabilities		24,630
		(80,091)
Financing Activities:		
Proceeds from common share issuance (Note 7)		465,000
Share issuance costs		(42,436)
		422,564
Increase in cash for the period		342,473
Cash, beginning of the period		-
Cash, end of the period	\$	342,473
Supplemental information:		
Interest paid	\$	-
Income taxes paid	\$	-
Non-cash transactions:		
Agent options issued	\$	11,693

The accompanying notes are an integral part of these Financial Statements

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(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 TSX-V Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V. The Company has an accumulated deficit of \$150,142 as at December 31, 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 7(b) for details of this transaction.

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 Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(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 ("FVTPL"), 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 judgment 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.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

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 instrument measurement and valuation

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 assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 11 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or 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.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instrument measurement and valuation (continued)

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. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

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 income (loss).

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 assesses all information available, including on a forward-looking basis, the expected credit losses 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.

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

Financial asset or liability	IFRS 9 Classification
Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial liabilities: are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

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

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:

Judgments**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. 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.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting estimates and judgments (continued)

Stock Options

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

5. 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.

IFRS 16 – Leases

New standard that 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. The Company does not expect the adoption of this standard to have an impact on its financial statements as the Company currently has no leases.

IFRIC 23 – Uncertainty over Income Tax Treatments

New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019, with early adoption permitted. The Company does not expect the adoption of this standard to have a significant impact on its financial statements.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

6. 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 December 31, 2018, \$Nil was due to related parties.

The Company has identified its directors and 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 December 31, 2018, \$45,421 was recorded as share-based payment for key management personnel. This amount is attributable to the stock options granted to directors.

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at December 31, 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 are held in escrow and 10% of the escrow shares will be released pro-rata to the shareholders upon issuance

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

of notice of final acceptance of a QT by the TSX-V. The remainder will be released 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 paid a cash commission of \$20,000, \$7,500 in legal fees, a corporate finance fee of \$10,500, other costs of \$4,436, 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.

(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 and outstanding 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.

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. 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 vests immediately and is exercisable to acquire one common share at a price of \$0.10 until April 18, 2023. This resulted in share-based payment 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 \$0.08 per option. The risk-free interest rate was 1.75%, with an expected life of 5 years, and an annualized volatility of 113%. The forfeiture rate and estimated annual dividend yield were both 0%.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

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

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, December 31, 2018	565,000	\$0.10

As at December 31, 2018, stock options outstanding and exercisable are 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	4.30
Total	565,000	\$0.10		

(d) Agent options

As part of the IPO on April 18, 2018, the Company granted to the agent 200,000 options at a price of \$0.10 per common share until April 18, 2020. These options vested immediately. This resulted in share issuance costs 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 \$0.06 per option. The risk-free interest rate was 1.75%, with an expected life of 5 years, and an annualized volatility of 113%. The forfeiture rate and estimated annual dividend yield were both 0%.

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

	Number of Agent Options	Weighted average Exercise Price
Balance, January 15, 2018	-	\$ -
Granted	200,000	\$ 0.10
Balance, December 31, 2018	200,000	\$0.10

As at December 31, 2018, agent options outstanding and exercisable are as follows:

Grant Date	Number of agent options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
April 18, 2018	200,000	\$0.10	April 18, 2020	1.30
Total	200,000	\$0.10		

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended December 31, 2018, was based on the loss attributable to common shareholders of \$150,142 and the weighted average number of common shares outstanding of 3,104,429.

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.

9. 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	150,142
Expected income tax (recovery)	(41,000)
Permanent differences	12,000
Share issue costs	(11,000)
Change in unrecognized temporary differences	40,000
Income tax expense (recovery)	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position is as follows:

	2018	Expiry
	\$	
Share issuance costs	34,000	2038-2041
Non-capital losses available for future periods	113,000	2038

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

10. 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 TSX-V Policy 2.4.

11. 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 December 31, 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.

ECC VENTURES 2 CORP.

Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

11. 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, which consists entirely of 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 December 31, 2018, the Company has no sources of revenue but has a cash balance of \$342,473 to settle current liabilities of \$24,630. 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 Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

11. 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 December 31, 2018, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. Cash is classified as amortized cost. Accounts payable and accrued liabilities are also 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.

12. SUBSEQUENT EVENT

On January 15, 2019, the Company entered into a letter of intent, as amended on February 8, 2019 (the "Amended LOI"), outlining the general terms and conditions with respect to the acquisition (the "Acquisition") by the Company of all the issued and outstanding membership interests of Long Island Brand Beverages LLC, a New York limited liability company ("LIBB") that is a wholly owned subsidiary of Long Blockchain Corp., a US listed company ("Long Blockchain"), and all the issued and outstanding share capital of Long Island Beverages Corp., a private British Columbia corporation ("LIBC") and collectively with LIBB, ("Long Island Beverages").

The acquisition of Long Island Beverages will constitute a reverse takeover and the Company's qualifying transaction under Policy 2.4 of the TSX-V. Assuming completion of the Acquisition, it is anticipated that the Company will graduate to Tier 2 of the TSX-V as a consumer products issuer.

Under the terms of the Amended LOI, on closing, the Company will complete a forward share split of its common shares on a 1 for 1.5 basis and Long Island Beverages and their security holders will be issued an aggregated 15,545,455 post-forward-split common shares of the Company (the "Consideration Shares"), and \$500,000, as consideration for the Acquisition. An additional 2,700,000 currently issued post-forward-split common shares of the Company will be transferred within escrow to certain members of the new management team. The Company will also issue 890,000 post-forward-split common shares to certain finders in connection with the Acquisition. Certain of the Consideration Shares will be subject to escrow pursuant to the policies of the TSX-V, in addition to pooling restrictions that may be negotiated by the parties.

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Notes to the Financial Statements

For the period from incorporation on January 15, 2018 to December 31, 2018

(Expressed in Canadian dollars)

12. SUBSEQUENT EVENT (continued)

In advance of completion of the Acquisition, the Company intends to advance \$250,000 to LIBB. The loan will bear interest at the rate of 10% per annum, will be secured against the assets of LIBB and be guaranteed by its parent company, Long Blockchain. The loan will be due and payable on July 31, 2019 if the Acquisition is not completed by such date.

In connection with the Acquisition, the Company has entered into an engagement letter with Canaccord Genuity Corp. (the "Agent") to complete a brokered private placement (the "Financing") of subscription receipts of the Company (the "Subscription Receipts"), for minimum gross proceeds of \$2,000,000, through the issuance of not less than 4,000,000 Subscription Receipts at a price of \$0.50 per Subscription Receipt.

The proceeds of the Financing will be held in escrow, pending the Company completion of the Acquisition. Upon closing of the Acquisition, each Subscription Receipt will automatically convert, for no additional consideration, into units of the Company (the "Units") consisting of one post-forward-split common share of the Company (a "Common Share") and one common share purchase warrant (a "Warrant") entitling the holder to acquire one additional Common Share at an exercise price of \$1.00 per Warrant, for a period of 12 months from the date of closing of the Acquisition. On completion of the Financing, the Company will pay a cash commission to the Agent equal to 7% of the gross proceeds of the Financing and will issue the Agent warrants to purchase such number of Units of the Company as is equal to 7% of the number of Subscription Receipts sold under the Financing (the "Agent Warrants"). The Agent Warrants will be exercisable at an exercise price of \$0.50 per Agent Warrant for a period of 12 months from the date of closing of the Acquisition.

Completion of the Acquisition and the Financing are subject to a number of conditions, including TSX-V acceptance, completion of satisfactory due diligence by the Agent, and execution of an Agency Agreement between the Company and the Agent. Trading of the Company's common shares will remain halted pending further filings with the TSX-V.