

RECO NORTHERN ALBERTA INC.
(Unaudited)
Interim Condensed Financial Statements
For the Six Months Ended
March 31, 2018
(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONDENSED FINANCIAL STATEMENTS**

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the interim condensed financial statements have not been reviewed by an auditor.

The Company's external auditors, Collins Barrow Edmonton LLP, have not performed a review of these interim condensed financial statements.

"Hugh Zhen"
Signed
Hugh Zhen
President and Chief Executive Officer

"Quin Quang Sie"
Signed
Quin Quang Sie
Chief Financial Officer

May 30, 2018

RECO NORTHERN ALBERTA INC.

(Unaudited)

Interim Condensed Statement of Financial Position

March 31, 2018

(Expressed in Canadian Dollars)

	March 31, 2018	September 30, 2017
ASSETS		
Intangible assets (Note 4)	<u>\$ 2,242</u>	<u>\$ 2,242</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,699	\$ 5,250
Amount due to related party (Note 5)	<u>30,756</u>	<u>27,369</u>
	<u>40,455</u>	<u>32,619</u>
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	2,242	2,242
Deficit	<u>(40,455)</u>	<u>(32,619)</u>
	<u>(38,213)</u>	<u>(30,377)</u>
	<u>\$ 2,242</u>	<u>\$ 2,242</u>

Approved on behalf of the Board

"Hugh Zhen"

Signed

Director

"Quin Quang Sie"

Signed

Director

See accompanying notes to the financial statements

RECO NORTHERN ALBERTA INC.

(Unaudited)

Interim Condensed Statement of Comprehensive Loss

For the Six Months Ended March 31, 2018

(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Revenue	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Expenses				
General and administrative	<u>5,860</u>	<u>5,276</u>	<u>7,836</u>	<u>6,174</u>
	<u>5,860</u>	<u>5,276</u>	<u>7,836</u>	<u>6,174</u>
Net loss and comprehensive loss	<u>\$ (5,860)</u>	<u>\$ (5,276)</u>	<u>\$ (7,836)</u>	<u>\$ (6,174)</u>
Net loss per common share				
- basic and diluted (Note 7)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

See accompanying notes to the financial statements

RECO NORTHERN ALBERTA INC.

(Unaudited)

Interim Condensed Statement of Changes in Equity

For the Six Months Ended March 31, 2018

(Expressed in Canadian Dollars)

	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Total</u>
Balance, October 1, 2017	25,635,635	\$ 2,242	\$ (32,619)	\$ (30,377)
Net loss	---	---	(7,836)	(7,836)
Balance, March 31, 2018	<u>25,635,635</u>	<u>\$ 2,242</u>	<u>\$ (40,455)</u>	<u>\$ (38,213)</u>

	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Total</u>
Balance, October 1, 2016	25,635,635	\$ 2,242	\$ (21,183)	\$ (18,941)
Net loss	---	---	(6,174)	(6,174)
Balance, March 31, 2017	<u>25,635,635</u>	<u>\$ 2,242</u>	<u>\$ (27,357)</u>	<u>\$ (25,115)</u>

See accompanying notes to the financial statements

RECO NORTHERN ALBERTA INC.

(Unaudited)

Interim Condensed Statement of Cash Flows

For the Six Months Ended March 31, 2018

(Expressed in Canadian Dollars)

	March 31, 2018	March 31, 2017
Cash Provided by (Used in):		
Operating Activities		
Net loss	\$ (7,836)	\$ (6,174)
Item not involving cash:		
General and administrative	<u>7,836</u>	<u>6,174</u>
	<u>---</u>	<u>---</u>
Increase (decrease) in cash	---	---
Cash, beginning of period	<u>---</u>	<u>---</u>
Cash, end of period	<u><u>---</u></u>	<u><u>---</u></u>

See accompanying notes to the financial statements

RECO NORTHERN ALBERTA INC.

(Unaudited)

Notes to the Interim Condensed Financial Statements

March 31, 2018

(Expressed in Canadian Dollars)

1. Reporting Entity and Going Concern

Reporting Entity

Reco Northern Alberta Inc. (the "Company") was incorporated under the Alberta Business Corporations Act on November 28, 2013 and is in the business of modular home building for the territory of Northern Alberta. The head office and principal address of the Company is #100, 2051 Viceroy Place, Richmond, British Columbia, V6V 1Y9.

Going Concern

The Company has not commenced commercial operations as at March 31, 2018. The Company's continuing operations are dependent upon its ability to fund its potential future operations and is dependent on the ability of the Company to obtain financing. These financial statements have been prepared in accordance with International Financial Reporting Standards applied on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There are material uncertainties that cast significant doubt on the validity of this assumption.

These financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the statement of financial position classifications that would be necessary if the going concern assumption were not appropriate.

These interim condensed financial statements were approved by the Board of Directors on May 30, 2018.

2. Basis of Presentation

a) Statement of Compliance

These interim condensed financial statements have been prepared in accordance and compliance with International Accounting Standard 34, ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure herein is incremental to the disclosure included in the annual financial statements. The interim condensed financial statement should be read in conjunction with the annual audited financial statements for the year ended September 30, 2017.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

c) Functional Currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

RECO NORTHERN ALBERTA INC.

(Unaudited)

Notes to the Interim Condensed Financial Statements

March 31, 2018

(Expressed in Canadian Dollars)

2. Basis of Presentation (Continued)

d) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation are as follows:

Intangible Assets

The valuation of intangible assets is based on management's best estimation of the future recoverability of the asset.

Income Taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on the probability of the Company being able to utilize the tax assets.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these interim condensed financial statements are the same as those applied by the Company in its audited financial statements for the year ended September 30, 2017

RECO NORTHERN ALBERTA INC.

(Unaudited)

Notes to the Interim Condensed Financial Statements

March 31, 2018

(Expressed in Canadian Dollars)

4. Intangible Assets

	Cost						Balance at March 31, 2018
	Balance at October 1, 2016	Additions	Disposals	Balance at September 30, 2017	Additions	Disposals	
License	\$ 2,242	\$ ---	\$ ---	\$ 2,242	\$ ---	\$ ---	\$ 2,242

	Accumulated Depreciation						Balance at March 31, 2018
	Balance at October 1, 2016	Additions	Disposals	Balance at September 30, 2017	Additions	Disposals	
License	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---

	Net Book Value	
	Balance at September 30, 2017	Balance at March 31, 2018
License	\$ 2,242	\$ 2,242

The license to distribute modular homes was acquired from Reco International Group Inc., a commonly controlled company, and no amortization was recorded as the license has not been put into use.

5. Amount due to Related Party

The amount due to related party is unsecured, bears no interest and has no specific terms of repayment. The related party is related to the Company by reason of common control and has provided financing to the Company for working capital purposes.

6. Share Capital

Authorized:

Unlimited common voting shares

Issued and outstanding:

	Number of Common Shares	Amount
March 31, 2018 and September 30, 2017	25,635,635	\$ 2,242

RECO NORTHERN ALBERTA INC.

(Unaudited)

Notes to the Interim Condensed Financial Statements

March 31, 2018

(Expressed in Canadian Dollars)

7. Net Loss Per Common Share

The basic net loss per common share is based on the weighted average number of common shares outstanding as at March 31, 2018 of 25,635,635 (March 31, 2017 - 25,635,635). The diluted net loss per common share is calculated using the weighted average number of common shares of 25,635,635 (March 31, 2017 - 25,635,635) as there are no anti-dilutive shares.

8. Financial Instruments

The Company's financial instruments consist of accounts payable and accrued liabilities and amount due to related party.

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to any interest rate risk as there are no interest bearing financial instruments.

Liquidity risk

The Company's exposure to liquidity risk is dependent on purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk through obtaining advances from related party for working capital. As at March 31, 2018, the Company has a working capital deficiency of \$40,455 (September 30, 2017 - \$32,619).

Fair value

The fair value of accounts payable and accrued liabilities approximates its carrying amount due to their short-term nature. The fair value of amount due to related party cannot be reliably determined due to its nature as it is non-interest bearing and has no terms of repayment.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

RECO NORTHERN ALBERTA INC.

(Unaudited)

Notes to the Interim Condensed Financial Statements

March 31, 2018

(Expressed in Canadian Dollars)

8. Financial Instruments (Continued)

Fair value (Continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at March 31, 2018, the Company had no amounts, classified as “fair value through profit or loss”.

9. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include sustaining continuing operations. The Company includes shareholders' deficiency of \$38,213 (September 30, 2017 - \$30,377) and amount due to related party of \$30,756 (September 30, 2017 - \$27,369) in the definition of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

The Company's plan is to raise capital through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

The Company is not subject to externally imposed capital requirements.