

**CREDENT CAPITAL CORP.**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**  
**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Credent Capital Corp.

### Opinion

We have audited the financial statements of Credent Capital Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2020 and 2019, and the statements of comprehensive income (Loss), cash flows, and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit 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 is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had net income of \$16,963 during the year ended April 30, 2020 and, as of that date, the Company's current assets exceeded its current liabilities by \$37,073. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

### Emphasis of Matter – Comparative Information

We draw your attention to Note 9 to the financial statements, which explains certain comparative information presented for the year ended April 30, 2019 has been restated. Note 9 explains the reason for the restatement and also explains the adjustments that were applied to restated certain comparative information. Our opinion is unmodified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the 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. 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 IFRSs, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Vancouver, Canada

July 22, 2020

"Morgan & Company LLP"

Chartered Professional Accountants

## CREDENT CAPITAL CORP.

### STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)

	AS AT APRIL 30	
	2020	2019 (Restated - note 9)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 158,629	\$ 143,282
Due from related parties (Note 3)	800	800
Prepaid expenses	20,425	19,866
	\$ 179,854	\$ 163,948
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 11,042	\$ 12,099
Due to related parties (Note 3)	131,739	131,739
	142,781	143,838
<b>EQUITY</b>		
<b>Share Capital</b> (Note 4)	366,550	366,550
<b>Share-based Payments Reserve</b>	34,411	34,411
<b>Deficit</b>	(363,888)	(380,851)
	37,073	20,110
	\$ 179,854	\$ 163,948

Nature of Operations and Going Concern (Note 1)  
 Qualifying Transaction (Note 8)  
 Subsequent Events (Note 10)

These financial statements were authorized for issue by the Board of Directors on July 22, 2020. They are signed on the Company's behalf by:

*"John A. Versfelt"*

Director

*"Michael Chen"*

Director

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

## CREDENT CAPITAL CORP.

### STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Expressed in Canadian Dollars)

	FOR THE YEARS ENDED APRIL 30	
	2020	2019
<b>Expenses</b>		
Consulting fees (recovery) expense	\$ 2,538	\$ 392
Office	537	3,559
Rent (Note 6)	5,040	5,040
Professional fees (Note 6)	14,670	8,354
Filing fees	10,007	9,516
<b>Loss before other item</b>	<b>(32,792)</b>	<b>(26,861)</b>
Gain on termination of qualifying transaction (Note 10)	49,755	-
<b>Net Income (loss) And Comprehensive income (loss) For The Year</b>	<b>\$ 16,963</b>	<b>\$ (26,861)</b>
<b>Basic And Diluted Income (Loss) Per Share</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number Of Shares Outstanding</b>	<b>4,250,000</b>	<b>4,250,000</b>

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

## CRESENT CAPITAL CORP.

### STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	FOR THE YEARS ENDED APRIL 30	
	2020	2019
<b>Cash Flows Used For Operating Activities</b>		
Net income (loss) for the year	\$ 16,963	\$ (26,861)
Add: Gain on termination of qualifying transaction	(49,755)	-
Changes in non-cash working capital items:		
Prepaid expenses	(559)	-
Accounts payable and accrued liabilities	(1,057)	2,501
	(34,408)	(24,360)
<b>Cash Flows Provided by Financing Activity</b>		
Cash disbursement on termination of qualifying transaction	49,755	-
	49,755	-
<b>Increase (decrease) In Cash</b>	15,347	(24,360)
<b>Cash, Beginning Of Year</b>	143,282	167,642
<b>Cash, End Of Year</b>	\$ 158,629	\$ 143,282
<b>Supplemental cash flow information:</b>		
Cash inflow from interest income	\$ -	\$ 429

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

## CREDENT CAPITAL CORP.

### STATEMENTS OF CHANGES IN EQUITY

**FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**

(Expressed in Canadian Dollars)

	SHARE CAPITAL		SHARE-		TOTAL
	NUMBER OF SHARES	AMOUNT	BASED PAYMENTS RESERVE	DEFICIT	EQUITY
Balance, April 30, 2018 (Restated note 9)	4,250,000	\$ 366,550	\$ 34,411	\$ (353,990)	\$ 34,471
Net loss for the year	-	-	-	(26,861)	(26,861)
Balance, April 30, 2019 (Restated note 9)	4,250,000	366,550	34,411	(380,851)	7,610
Net income for the year	-	-	-	16,963	20,660
<b>Balance, April 30, 2020</b>	<b>4,250,000</b>	<b>\$ 366,550</b>	<b>\$ 34,411</b>	<b>\$ (363,888)</b>	<b>\$ 37,073</b>

The accompanying notes are an integral part of these financial statements

# **CREDENT CAPITAL CORP.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Credent Capital Corp. (the Company) was incorporated under the *Business Corporations Act* (British Columbia) on March 25, 2011 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (“TSX-V”). The principal business of the Company is the identification, evaluation and negotiation for the acquisition of assets or a business (“Qualifying Transaction”) subject to receipt of shareholder approval and acceptance by regulatory authorities for the purpose of obtaining a listing on the TSX-V and becoming an issuer (see qualifying transaction – Note 8).

During 2013, the Company was unable to complete a Qualifying Transaction in the time frame required by the TSX-V. Pursuant to TSX-V Policy 2.4, the Company requested and received majority shareholder approval to transfer its listing to the NEX Board of the TSX-V (NEX).

The Company’s head office is located at 20 Sixth Street, New Westminster, British Columbia, Canada, V7L 3Y8. The Company’s registered office is located at 1000 – 595 Burrard Street, Vancouver, British Columbia V7X 1S8.

The Company had net income of \$16,963 during the year ending April 30, 2020 and, at that date, has a net working capital of \$37,073. The ability of the Company to continue as a going concern involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Further, there is no assurance that the businesses acquired will be profitable. All of these factors may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include adjustments that would be necessary should it be determined that the Company may be unable to continue as a going concern, and these adjustments could be material.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

# **CREDENT CAPITAL CORP.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

### **2. SIGNIFICANT ACCOUNTING POLICIES**

a) Statement of Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations Committee ("IFRIC").

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis. Prior period comparatives in these financial statements were restated due to the correction of an error. See Note 9.

c) Functional Currency

The presentation currency and functional currency of the Company is the Canadian dollar.

d) Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The significant areas requiring the use of management estimates relate to the existence of contingent assets and liabilities, values ascribed to related party transactions and balances, and deferred income taxes. Management reviews significant estimates on a periodic basis and, when changes in estimates are necessary, makes adjustments prospectively.

# CRESENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of May 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any of the financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

#### i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss)

(“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at May 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

# CRESENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019  
(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Financial Instruments (continued)

##### ii) Measurement

###### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise.

##### iii) 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. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

# CRESENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019  
(Expressed in Canadian Dollars)

### 2. Significant Accounting Policies (Continued)

#### f) Cash

Cash consists of cash held in a non-interest bearing bank account.

#### g) Deferred Financing Costs

Costs directly identifiable with the raising of capital are charged against share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations, if the shares are not issued.

Costs incurred to affect a business combination are expensed in the period they are incurred.

#### h) Income Taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a

legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

# CRESENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019  
(Expressed in Canadian Dollars)

### 2. Significant Accounting Policies (Continued)

#### h) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of tax when deemed recoverable.

#### i) Share-Based Payments

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of shares that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by using the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

#### j) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Contingently issuable shares are not considered outstanding and consequently are not included in loss per share calculations.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

# CRESENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019  
(Expressed in Canadian Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k) Adoption of New Accounting Standards

##### IFRS 16 Leases

Effective for annual periods beginning on January 1, 2019

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption of this standard did not have a material impact on the Company's financial statements.

### 3. DUE TO RELATED PARTIES

The Company oversees the financing of the operations and product development of a related company through common directors. In the year ended April 30, 2017, a director of this company advanced \$268,500 to Credent. The Company made payments on behalf of the related party of \$284,292 in fiscal 2017. In 2018, the same director advanced an additional \$135,000 and the related party incurred a further \$12,531 on behalf of Credent.

	YEARS ENDED APRIL 30	
	2020	2019
Balance payable, end of year	<u>\$ (131,739)</u>	<u>\$ (131,739)</u>

As at April 30, 2020, the Company was owed \$800 (2019 - \$800) from another company related through common directors.

All amounts due to and due from related parties are unsecured, non-interest bearing, and have no fixed terms of repayment.

# **CREDENT CAPITAL CORP.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

### **4. SHARE CAPITAL**

a) Authorized

Unlimited common shares, without par value

b) Issued

During the fiscal years ended April 30, 2020 and April 30, 2019 no common shares were issued

c) Shares held in escrow

As at April 30, 2020 and 2019, the Company had 1,100,000 shares held in escrow. Upon closing of the qualifying transaction (Note 9) these shares will be transferred to Hydro Power Technologies Inc. or its designate(s) at a price of \$0.20 per share.

d) Stock Options and Agent's Warrants

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

As at April 30, 2020 and 2019, no stock options were outstanding.

### **5. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its Qualifying Transaction if and when a suitable acquisition is identified. If and when the Company identifies a suitable candidate for its Qualifying Transaction, the closing will be dependent on both funds already available and external financing to fund the acquisition.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

# CREDENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

(Expressed in Canadian Dollars)

### 6. RELATED PARTY TRANSACTIONS

The Company leases office space from a company with a common director. During the year ended April 30, 2020, the Company paid office rent of \$5,040 (2019 - \$5,040) to this company.

### 7. INCOME TAXES

A reconciliation of income taxes at a statutory rate of 27% (2019 – 27%) with the reported taxes follows:

	<u>2020</u>	<u>2019</u>
Expected income tax expense (recovery)	\$ 5,000	\$ (7,000)
Effect of rate change	-	(4,000)
Changes in tax assets not recognized	<u>(5,000)</u>	<u>11,000</u>
	<u>\$ -</u>	<u>\$ -</u>

The significant component of the Company's deferred income tax asset is as follows:

	<u>2020</u>	<u>2019</u>
Deferred income tax asset:		
Non-capital losses carried forward	\$ 108,000	\$ 113,000
Tax assets not recognized	<u>(108,000)</u>	<u>(113,000)</u>
Net deferred income tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company has available for deduction against future taxable income non-capital losses carried forward of approximately \$400,000 (2019 - \$417,000). The non-capital losses, if not utilized, will start to expire in 2031. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

# CREDENT CAPITAL CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

(Expressed in Canadian Dollars)

### 8. QUALIFYING TRANSACTION

The Company signed a non-binding letter of intent (the “Hydro LOI”) with Hydro Power Technologies Inc. (“Hydro Power”), a corporation existing under the laws of Ontario, Canada, which outlines the general terms and conditions pursuant to which the Company and Hydro Power will be willing to complete a transaction that will result in a reverse take-over of the Company by the shareholders of Hydro Power.

As part of the qualifying transaction process, the Company entered into a sponsorship agreement with a qualified sponsor. Per this agreement, the Company is required to pay \$25,000 in sponsorship fees, pay additional related legal fees and issue 50,000 shares of the resulting issuer. As at April 30, 2020, the Company has paid \$26,685 in related fees and has prepaid additional sponsorship and legal fees of \$20,425. These deferred financing changes are included in prepaids. The balance of the fees and the issuance of the common shares are payable upon submission of the final sponsor report. Subsequent to year end, this agreement was terminated by both parties. The prepaid fees will be held by the qualified sponsor and applied against a new qualifying transaction (See Note 10).

### 9. CORRECTION OF AN ERROR AND COMPARATIVE AMOUNTS

#### Prepaid Expense Adjustment

During the year the Company discovered an error in its prior period financial statements relating to a prepaid expense which was incorrectly expensed and as a result, loss and comprehensive loss was overstated and prepaid expenses were understated. The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

<b>Adjustment to the statement of changes in equity</b>		<b>May 1, 2018</b>
Opening deficit as previously reported	\$	366,490
Decrease in loss		(12,500)
		<hr/>
Deficit, as restated	\$	353,990
		<hr/>
<b>Adjustment to the statement of financial position</b>		<b>May 1, 2018</b>
Opening balance, prepaid expenses as previously reported	\$	7,366
Increase in prepaid expenses		12,500
		<hr/>
Prepaid expenses, as restated	\$	19,866
		<hr/>

The change had no impact on the presentation of the Company’s operating cash-flow or loss per share calculation.

# **CREDENT CAPITAL CORP.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**  
(Expressed in Canadian Dollars)

### **10. SUBSEQUENT EVENTS**

On May 21, 2020, the Company and Hydro Power Technologies Inc. (“HPT”) announced that they had agreed to terminate their business combination agreement the (“Transaction”). The Transaction was originally announced by the Company in its news release dated January 21, 2014. Pursuant to the original LOI, HPT placed \$70,000 with the Company’s legal counsel in trust to cover legal expenses in connection with the qualifying transaction. During the year and in advance of the formal termination agreement, the remaining balance in the trust account in the amount of \$49,755 was transferred to the Company and has been recognized as a gain on termination of qualifying transaction.

In connection with the termination agreement, the amount due to related parties in the amount of \$131,739 will be transferred to a director of the Company. It will be settled through the issuance of common shares in the Company at \$0.07 per share.

The Transaction contemplated under the business combination agreement with HPT was intended to be the Company’s Qualifying Transaction. The Company will now be actively exploring other Qualifying Transaction opportunities. The Company will also be applying to the regulators to lift the trading halt currently in place on its common shares.