

**PONDEROUS PANDA CAPITAL CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended  
September 30, 2019**

**Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)**

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

The accompanying unaudited condensed interim financial statements of Ponderous Panda Capital Corp. (“the Company”) for the nine months ended September 30, 2019, have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed interim financial statements by an entity’s auditor.

**PONDEROUS PANDA CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited – Prepared by Management)**  
**AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018**

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	498,777	549,090
Receivable	5,040	-
Prepaid expenses	-	102
<b>Total assets</b>	<b>503,817</b>	549,192
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	12,158	17,950
<b>Total liabilities</b>	<b>12,158</b>	17,950
<b>Shareholders' equity</b>		
Share capital (Note 5)	640,300	640,300
Reserves (Note 5)	96,000	96,000
Deficit	(244,641)	(205,058)
<b>Total shareholders' equity</b>	<b>491,659</b>	531,242
<b>Total liabilities and shareholders' equity</b>	<b>503,817</b>	549,192

Nature and continuance of operations (Note 1)

Proposed Transaction (Note 9)

Approved on November 29, 2019 on behalf of the Board:

"David Smalley"

Director

"Larry K. Doan"

Director

**PONDEROUS PANDA CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited – Prepared by Management)  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

	<b>Three months ended September 30, 2019</b>	<b>Three months ended September 30, 2018</b>	<b>Nine months ended September 30, 2019</b>	<b>Nine months ended September 30, 2018</b>
	\$	\$	\$	\$
<b>Expenses</b>				
Filing fees	-	10,150	8,376	33,240
Professional fees (Note 6)	3,818	15,982	26,832	83,528
Regulatory fees	1,218	-	3,221	10,028
Rent	307	394	1,154	897
Share-based payments (Note 6)	-	-	-	38,000
<b>Loss and comprehensive loss for the period</b>	<b>(5,343)</b>	<b>(26,526)</b>	<b>(39,583)</b>	<b>(165,693)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>3,065,004</b>	<b>3,065,004</b>	<b>3,065,004</b>	<b>2,165,993</b>

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

**PONDEROUS PANDA CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited – Prepared by Management)  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	Number of Common Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance, December 31, 2017	700,003	105,000	-	(427)	104,573
Common shares issued	2,365,001	654,750	-	-	654,750
Share issue costs – cash	-	(94,450)	-	-	(94,450)
Share issue costs –warrants	-	(25,000)	25,000	-	-
Share-based payments	-	-	71,000	-	71,000
Loss for the year	-	-	-	(204,631)	(204,631)
Balance, December 31, 2018	3,065,004	640,300	96,000	(205,058)	531,242
Loss for the period	-	-	-	(39,583)	(39,583)
<b>Balance, September 30, 2019</b>	<b>3,065,004</b>	<b>640,300</b>	<b>96,000</b>	<b>(244,641)</b>	<b>491,659</b>

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

**PONDEROUS PANDA CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**(Unaudited – Prepared by Management)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

	<b>Nine months ended September 30, 2019</b>	Nine months ended September 30, 2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(39,583)	(165,693)
Items not involving cash:		
Share-based payments	-	38,000
Changes in non-cash working capital items:		
Prepaid expenses	102	-
Accounts payable and accrued liabilities	(5,792)	15,283
Receivable	(5,040)	-
	<b>(50,313)</b>	<b>(112,410)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	-	654,750
Share issue costs	-	(79,450)
	-	575,300
<b>Change in cash during the period</b>	<b>(50,313)</b>	<b>462,890</b>
<b>Cash, beginning of period</b>	<b>549,090</b>	<b>89,804</b>
<b>Cash, end of period</b>	<b>498,777</b>	<b>552,694</b>
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

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

**PONDEROUS PANDA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**  
**(Unaudited – Prepared by Management)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Ponderous Panda Capital Corp. (the “Company”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 22, 2017. The Company completed an initial public offering (“IPO”) of its common shares on April 27, 2018, and on May 2, 2018, its common shares began trading on the TSX Venture Exchange (“TSX-V” or the “Exchange”), under the symbol “PPCC.P”. The Company is classified as a Capital Pool Company (“CPC”), as defined in the Exchange Policy 2.4. The Company’s head office and registered and records office address is Suite 2300, 1066 W Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2.

The principal business of the Company is the identification and evaluation of material assets or businesses with a view to completing a transaction where the Company acquires significant assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

These condensed interim financial statements (the “financial statements”) are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at September 30, 2019, the Company has an accumulated deficit of \$244,641.

The Company’s continuing operations are dependent upon its ability to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4, within 24 months of listing on the TSX-V. Any acquisition or investment proposed by the Company will be subject to regulatory approval. The inability to achieve these objectives may cast significant doubt about the Company’s ability to continue as a going concern.

**Proposed Transaction**

The Company entered into a Letter of Intent dated August 26, 2019, to complete a business combination with Veridyne Power Corp. (“Veridyne”). Refer to Note 9 for further details.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s audited financial statements for the period ended December 31, 2018, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the audited financial statements.

**Basis of preparation**

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements of the Company are presented in Canadian dollars, which is the Company’s functional currency.

**PONDEROUS PANDA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**  
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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent audited financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2019.

**4. NEW ACCOUNTING PRONOUNCEMENTS**

**New standard adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019. The following new standard has been adopted by the Company.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The adoption of this standard did not have an impact on these financial statements as the Company does not have any leases.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**5. SHARE CAPITAL AND RESERVES**

**Authorized**

Unlimited common shares with no par value and unlimited preferred shares with no par value.

**Issued and outstanding common shares**

**Nine months ended September 30, 2019**

The Company did not issue any common shares during the nine months ended September 30, 2019.

**Year ended December 31, 2018**

On January 31, 2018 and February 12, 2018, the Company issued total of 365,001 common shares at \$0.15 per share for gross proceeds of \$54,750.

On April 27, 2018, the Company completed its IPO of 2,000,000 common shares at \$0.30 per share for gross proceeds of \$600,000. In connection with the IPO, the Company incurred share issue costs including finders' fees, legal and other fees of \$94,450. Additionally, the Company issued 200,000 finders' warrants with a fair value of \$25,000. Each finders' warrant is exercisable into one common share of the Company at an exercise price of \$0.30 until April 27, 2020.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. SHARE CAPITAL AND RESERVES (CONTINUED)**

**Escrowed securities**

The Company entered into an escrow agreement (the “Escrow Agreement”) in relation to common shares issued prior to the IPO. Pursuant to the Escrow Agreement, 1,065,004 common shares were placed in escrow on the date of IPO. Upon the Company completing a Qualifying Transaction, the Escrowed Common Shares will be subject to a timed release over a 36-month period.

As at September 30, 2019, 1,065,004 (December 31, 2018 – 1,065,004) common shares were held in escrow.

**Warrants**

Share purchase warrant transactions are summarized as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2018	200,000	\$ 0.30
<b>Outstanding at September 30, 2019</b>	<b>200,000</b>	<b>\$ 0.30</b>

The fair value of the finders’ warrants issued was estimated at the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>April 27, 2018</b>
Expected stock price volatility	75%
Expected life	2 years
Risk-free interest rate	0.77%
Expected forfeitures	0%
Expected dividend yield	0%

As at September 30, 2019, the outstanding and exercisable share purchase warrants were as follows:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining life (in years)</b>
200,000	\$ 0.30	April 27, 2020	0.58

**Stock options**

On January 22, 2018, the Company adopted a Stock Option Plan (the “Plan”) under which it is authorized to grant stock options to executive officers, directors, employees, and consultants. Under the Plan, the number of options that may be issued is limited to no more than 10% of the Company’s issued and outstanding shares immediately prior to the grant. While the Company is a CPC until completion of a Qualifying Transaction, the aggregate number of common shares that may be reserved for issuance under the Plan shall not exceed 10% of the common shares to be outstanding as at the closing of the Company’s initial public offering. The exercise price of each stock option shall equal the market price of the Company’s shares, less any applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

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**5. SHARE CAPITAL (CONTINUED)**

Stock option transactions are summarized as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2018	306,500	\$ 0.30
<b>Outstanding at September 30, 2019</b>	<b>306,500</b>	<b>\$ 0.30</b>

On April 27, 2018, the Company granted 306,500 stock options to directors and officers of the Company with a fair value of \$38,000. Each stock option is exercisable at an exercise price of \$0.30 until April 27, 2028.

The fair value of the stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>April 27, 2018</b>
Expected stock price volatility	75%
Expected life	10 years
Risk-free interest rate	0.77%
Expected forfeitures	0%
Expected dividend yield	0%

As at September 30, 2019, the outstanding and exercisable stock options were as follows:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining life (in years)</b>
306,500	\$ 0.30	April 27, 2028	8.58

**6. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of its Executive Officers and Directors. Other related parties to the Company include companies in which key management have control or significant influence. Key management personnel receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company.

**Related party transactions:**

During the nine months ended September 30, 2019, professional fees included \$13,579 (2018 - \$50,567) for legal services rendered by a law firm owned by the Chief Executive Officer of the Company.

During the nine months ended September 30, 2019, there were no stock options granted by the Company to directors and officers of the Company. During the nine months ended September 30, 2018, the Company granted 306,500 stock options to directors and officers of the Company with a fair value of \$38,000.

**Related party balances:**

As at September 30, 2019, accounts payable and accrued liabilities included \$5,205 owed to a related party (December 31, 2018 - \$17,950).

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**7. FINANCIAL INSTRUMENTS**

**Fair value**

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.

Cash is carried at fair value using Level 1 inputs. The carrying values of receivable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature.

**Financial risk management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

*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 limits its exposure to credit risk by placing its cash with a major financial institution. Management feels that the Company's credit risk with respect to cash is remote. The Company has no credit risk with respect to receivable as the balance was collected subsequent to September 30, 2019.

*Interest rate risk*

The Company is exposed to interest rate risk to the extent that its cash maintained in a financial institution is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

*Liquidity risk*

The Company's financial liabilities are classified as current and are anticipated to mature within the next twelve months. The Company intends to settle these with funds from its positive working capital position.

*Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at September 30, 2019, the Company did not have any financial instruments denominated in foreign currencies and considers foreign currency risk insignificant.

*Price risk*

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

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**8. CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity. As at September 30, 2019, the Company's shareholders' equity was \$491,659 and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's capital management approach during the nine months ended September 30, 2019.

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 Qualifying Transaction by the Company as defined under the Exchange Policy 2.4. The Company currently is not subject to other externally imposed capital requirements.

**9. PROPOSED TRANSACTION**

On August 26, 2019, the Company entered into a Letter of Intent ("LOI"), for the acquisition of Veridyne (Note 1). Veridyne is in the business of developing Solid Oxide Fuel Cell ("SOFC") power generating units.

Pursuant to the LOI all the issued and outstanding Veridyne common shares will be exchanged for the Company's common shares on the basis of one share of the Company for each Veridyne share held (one-to-one basis).

The Company will change its name and will continue operations under a name acceptable to both Veridyne and the Company.

Completion of the transaction is subject to the following closing conditions, including but not limited to:

- (a) all necessary approvals of the Exchange and all other regulatory authorities and third parties to the transaction and any private placement being obtained;
- (b) the approval or consent by shareholders of Veridyne and of the majority of the minority of the shareholders of the Company to the extent applicable;
- (c) the Company completing a Name Change on the terms set forth above;
- (d) the completion by Veridyne, the Company, or a combination of both, of private placements of up to USD\$4,000,000;
- (e) the parties being satisfied with the results of their respective due diligence reviews in connection with the transaction; and
- (f) the Exchange conditionally accepting the common shares of the resulting issuer for listing, subject to the resulting issuer fulfilling the listing requirements of the Exchange.

Further information regarding the transaction can be found in the Company's news release dated August 28, 2019 as filed on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).