

SAGITTARIUS CAPITAL CORPORATION

(A capital pool corporation)

Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sagittarius Capital Corporation

We have audited the accompanying financial statements of Sagittarius Capital Corporation, which comprise the statement of financial position as at December 31, 2016, and the statement of operations and comprehensive loss, statement of cash flows and statement of changes in (deficiency) equity for the year ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagittarius Capital Corporation as at December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

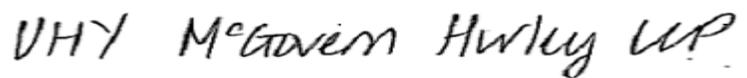
Other Matters

The financial statements of Sagittarius Capital Corporation for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2016.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Sagittarius Capital Corporation had continuing losses during the year ended December 31, 2016 and a working capital deficiency and cumulative deficit as at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of material uncertainties which cast significant doubt about Sagittarius Capital Corporation's ability to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 25, 2017

Sagittarius Capital Corporation

Statements of Financial Position
(Expressed in Canadian dollars)
As at December 31, 2016 and 2015

Assets	Notes	December 31, 2016	December 31, 2015
Current			
Cash	6	\$ 1,291	\$ 4,025
HST receivable		1,319	488
Total assets		\$ 2,610	\$ 4,513
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 34,131	\$ 10,176
Shareholders' (deficiency)			
Share capital	4	620,194	620,194
Share option reserve	4	93,240	93,240
Accumulated deficit		(744,955)	(719,097)
Total shareholders' (deficiency)		(31,521)	(5,663)
Total liabilities and shareholders' (deficiency)		\$ 2,610	\$ 4,513

Nature of Operations and Going Concern (note 1)

APPROVED ON BEHALF OF THE BOARD

"BRIAN PRESEMENT"
DIRECTOR

"CHRIS HAZELTON"
DIRECTOR

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

Sagittarius Capital Corporation

Statements of Operations and Comprehensive Loss

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

	Notes	2016	2015
Expenses			
Professional fees	8	\$ 17,836	\$ 9,839
Filing fees		7,643	6,231
Office and general		379	221
Total expenses		25,858	16,291
Interest income		-	(136)
Net loss and comprehensive loss		\$ (25,858)	\$ (16,155)
Loss per share		\$ (0.007)	\$ (0.004)
Weighted Average Number of Shares Outstanding			
Basic and diluted		3,690,000	3,690,000

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

Sagittarius Capital Corporation

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
Cash Flows from Operating Activities		
Net loss	\$ (25,858)	\$ (16,155)
Adjustments for:		
Changes in non-cash working capital items:		
HST receivable	(831)	6,663
Accounts payables and accrued liabilities	23,955	(29,961)
Net funds used in operating activities	(2,734)	(39,453)
Net decrease in cash and cash equivalents	(2,734)	(39,453)
Cash and cash equivalents – beginning of year	4,025	43,478
Cash and cash equivalents – end of year	\$ 1,291	\$ 4,025

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

Sagittarius Capital Corporation

Statements of Changes in (Deficiency) Equity
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Share capital Number of shares	Share capital Amount	Share option reserves	Accumulated deficit	Total
	#	\$	\$	\$	\$
Balance at December 31, 2014	4,190,000	620,194	93,240	(702,942)	10,492
Net loss and comprehensive loss	-	-	-	(16,155)	(16,155)
Balance at December 31, 2015	4,190,000	620,194	93,240	(719,097)	(5,663)
Balance at December 31, 2015	4,190,000	620,194	93,240	(719,097)	(5,663)
Net loss and comprehensive loss	-	-	-	(25,858)	(25,858)
Balance at December 31, 2016	4,190,000	620,194	93,240	(744,955)	(31,521)

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

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

1. Nature of Operations and Going Concern

Sagittarius Capital Corporation (the “Company” or “Sagittarius”) (NEX Stock Symbol - SCXH) was incorporated under the Business Corporations Act (Ontario) on April 20, 2007 and is classified as a Capital Pool Corporation as defined by TSX Venture Exchange Policy 2.4. The Company has nominal assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4.

The Company’s registered address and principal place of business is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

There is no assurance that the Company will identify a Qualifying Transaction under the policies of the NEX. If a qualifying transaction is not completed, the Company will need to identify other sources of financing to remain a going-concern entity.

These financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. Since inception, the Company has incurred losses including operating losses for the year ended December 31, 2016 and year ended December 31, 2015 of \$25,858 and \$16,155 respectively. As a result, the Company has an accumulated deficit of \$744,955 (December 31, 2015 - \$719,097) and working capital deficiency of \$31,521 at December 31, 2016 (December 31, 2015 - \$5,663). The Company has taken and continues to take steps to reduce these losses. However, losses are expected to continue for the 2017 fiscal year. As a result, there is material uncertainty that casts significant doubt surrounding the Company’s ability to continue as a going concern. In order to rectify these problems, the Company will require additional financing. Failure to obtain such financing could result in delay or indefinite postponement of the Company’s strategic goals. These financial statements do not include any adjustments relative to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

Statement of Compliance

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

These financial statements were authorized for issuance by the Board of Directors of the Company on April 25, 2017.

Basis of Measurement and Functional Currency

The financial statements are prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The financial statements are presented in Canadian dollars, the Company’s functional currency.

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

3. Summary of Significant Accounting Policies

Accounting Estimates and Judgments

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. There have been no significant judgements made by management in the application of IFRS that have a significant effect on these financial statements, with exception to accounts payable and accrued liabilities, deferred taxes and the going concern assumption.

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

3. Significant Accounting Policies - Continued

Financial Instruments

All financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Loans and receivables, held-to-maturity investments, and other financial liabilities which are initially measured at fair value and then at amortized cost. FVTPL financial instruments are subsequently re-measured at fair value and all gains and losses are included in net income or loss in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income or loss until the instrument is derecognized or impaired. Cash is classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2016 and 2015, the Company does not have any financial instruments carried at fair value and that require classification within the fair value hierarchy.

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 period. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculation. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. As at December 31, 2016 and 2015, the Company did not have any warrants or options outstanding.

Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

3. Significant Accounting Policies – Continued

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks, money market accounts, and other investments with original maturities of 90 days or less. Balances of cash and cash equivalents in financial institutions may at times exceed the government-insured limits. As at December 31, 2016 and 2015, the Company did not have any cash equivalents.

Accounting Standards Issued But Not Yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

4. Capital Stock

Authorized: Unlimited number of common shares without par value

Issued and outstanding:

	<u>No. of Shares</u>	<u>Amount</u>
December 31, 2016, 2015 and 2014	4,190,000	\$ 620,194

- (i) The Company had issued 1,000,000 seed common shares, of which 500,000 were cancelled (see (ii) below).

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and they are not considered to be outstanding shares for purposes of loss per share calculation.

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

4. Capital Stock - Continued

- (ii) At an Annual and Special Meeting of Shareholders held on May 28, 2010, a resolution was ratified cancelling 50% or 500,000 seed common shares for failing to complete a Qualifying Transaction within the prescribed period of time under TSX Venture Exchange policies. These common shares were initially issued at \$0.10 per share with total face value of \$50,000.

a) Stock Options

The Company awards stock options to officers and directors under an incentive stock plan (the "Plan"). Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Compensation expense is recognized when options are vested. The board of directors of the Company may from time to time, in its discretion, grant to directors, officers, 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 ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five years from the date of grant.

As at December 31, 2016 and 2015, the Company had no stock options issued and outstanding.

5. Capital Management

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund ongoing operations and finance the identification and evaluation of potential investments. To secure the additional capital necessary to pursue these investments, the Company may attempt to raise additional funds through the issuance of equity and warrants or by securing strategic partners.

The Company considers share capital, share option reserve, and accumulated deficit in the amount of \$(31,521) (December 31, 2015 - \$(5,663)) to represent capital.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

6. Cash Restriction

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 not more than the lesser of 30% of the gross proceeds from the issuance of 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 policies of the Exchange. As of December 31, 2016, the Company had exceeded this limit. The impact of this violation is not known and is ultimately dependent on the Exchange.

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

7. Financial Instruments and Financial Risk Management

The Company is exposed to different types of risks in the normal course of operations, including credit risk and liquidity risk. There have been no significant changes in the risks, objectives, policies and procedures during the years ended December 31, 2016 and 2015.

a) Fair Value

The carrying values of cash, and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

b) Credit Risk

The Company manages the credit exposure related to cash of \$1,291 as at December 31, 2016 by making sure that the Company maintains bank accounts with Schedule 1 banks in Canada. The carrying amount of cash represents the maximum credit exposure.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. All of the Company's accounts payable and accrued liabilities are due within one year.

8. Related-Party Transactions

Transactions with related parties, if any, are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties.

During the year ended December 31, 2016, the Company incurred accounting fees of \$10,000 (2015 - \$10,500) to Branson Corporate Services Inc. ("Branson"), a Company in which a director has a non-controlling indirect interest. The Company also accrued legal fees and disbursements of \$7,057 (2015 - recovery of \$5,075) to Fogler, Rubinoff LLP, a law firm in which a director of the Company is a Partner. As of December 31, 2016, \$13,800 (2015 - \$2,500) is owing to Branson, \$2,643 (2015 - \$nil) is owing to a director and \$7,872 (2015 - \$815) is owing to Fogler, Rubinoff LLP. These amounts are unsecured, non-interest bearing and due on demand.

There was no remuneration paid to directors and key management personnel during the years ended December 31, 2016 and December 31, 2015.

Sagittarius Capital Corporation

Notes to Financial Statements

December 31, 2016 and 2015

9. Income Tax

(i) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2015 - 26.5%) were as follows:

	2016	2015
	\$	\$
<u>(Loss) before income taxes</u>	<u>(25,858)</u>	<u>(16,155)</u>
Expected income tax recovery based on statutory rate	(7,000)	(5,000)
Adjustment to expected income tax benefit:		
Change in Benefit of tax assets not recognized	7,000	5,000
<u>Deferred income tax provision (recovery)</u>	<u>-</u>	<u>-</u>

(ii) Deferred Income Taxes

The unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2016	2015
	\$	\$
<u>Unrecognized Deferred Tax Assets</u>		
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
<u>Non-capital loss carry-forwards</u>	<u>870,000</u>	<u>844,000</u>

The tax losses expire from 2028 to 2036.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.