
Financial Statements

Victory Capital Corp.

For the Years Ended December 31, 2017 and 2016

(Stated in Canadian Dollars)

INDEX

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Loss and Comprehensive Loss	3
Statements of Changes in Equity	4
Statements of Cash Flow	5
Notes to the Financial Statements	6 - 16

Independent Auditors' Report

To the Shareholders of Victory Capital Corporation:

We have audited the accompanying financial statements of Victory Capital Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, 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.

Auditors' 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 auditors' 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 in our audit 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 Victory Capital Corporation as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The comparative figures as at December 31, 2016 and for the year then ended were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion on those statements in their audit report dated May 3, 2017.

Mississauga, Ontario

April 26, 2018

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Victory Capital Corp.

Statements of Financial Position as at December 31, 2017 and 2016
Stated in Canadian Dollars

	2017	2016
Assets		
Current Assets		
Cash (note 3)	\$ 655,677	\$ 79,375
Deposits held in trust	-	7,075
Short-term advance (note 4)	3,000	-
	<u>\$ 658,677</u>	<u>\$ 86,450</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 32,016</u>	<u>\$ 37,067</u>
Shareholders' Equity		
Issued Capital (note 5)	726,610	120,000
Contributed Surplus (notes 6 and 7)	116,839	-
Deficit	<u>(216,788)</u>	<u>(70,617)</u>
	<u>626,661</u>	<u>49,383</u>
	<u>\$ 658,677</u>	<u>\$ 86,450</u>

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

Approved on Behalf of the Board

Signed "Chris Frostad", Director

Signed "Stephen Dulmage", Director

Victory Capital Corp.

Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2017 and 2016
Stated in Canadian Dollars

	2017	2016
Revenue	\$ -	\$ -
Expenses		
Bank charges	31	50
Filing fees	22,628	15,353
Office and general	1,318	-
Professional fees	46,324	55,214
Share-based compensation (note 7)	75,870	-
	<u>146,171</u>	<u>70,617</u>
Net loss and comprehensive loss for the year	<u>\$ (146,171)</u>	<u>\$ (70,617)</u>
Loss per Share - basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.20)</u>
Weighted Average Number of Common Shares Outstanding - basic and diluted	<u>1,711,397</u>	<u>354,098</u>

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

Victory Capital Corp.

Statements of Changes in Equity

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

	<u>Issued Capital</u>		<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance - January 1, 2016	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares (note 5)	1,200,000	120,000	-	-	120,000
Net loss for the year	-	-	-	(70,617)	(70,617)
Balance - December 31, 2016	1,200,000	\$ 120,000	\$ -	\$ (70,617)	49,383
Issuance of common shares (note 5)	3,888,750	777,750	-	-	777,750
Share issuance costs (note 5)	-	(171,140)	40,969	-	(130,171)
Issuance of stock options	-	-	75,870	-	75,870
Net loss for the year	-	-	-	(146,171)	(146,171)
Balance - December 31, 2017	<u>5,088,750</u>	<u>\$ 726,610</u>	<u>\$ 116,839</u>	<u>\$ (216,788)</u>	<u>\$ 626,661</u>

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

Victory Capital Corp.

Statements of Cash Flow

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

	2017	2016
Operating Activities		
Net loss for the year	\$ (146,171)	\$ (70,617)
Items not affecting cash:		
Share-based compensation	75,870	-
Changes in non-cash operating working capital:		
Deposits held in trust	7,075	(7,075)
Short-term advance	(3,000)	-
Accounts payable and accrued liabilities	(5,051)	37,067
	<u>(71,277)</u>	<u>(40,625)</u>
Financing Activities		
Proceeds from the issuance of share capital	777,750	120,000
Share issuance costs	<u>(130,171)</u>	<u>-</u>
	<u>647,579</u>	<u>120,000</u>
Change in Cash	576,302	79,375
Cash - beginning of year	<u>79,375</u>	<u>-</u>
Cash - end of year	<u>\$ 655,677</u>	<u>\$ 79,375</u>

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

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

1. Nature of Operations

Victory Capital Corp. (the "Company") was incorporated on November 6, 2009 pursuant to the Business Corporation Act (Ontario) and is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. ("the Exchange") Corporate Finance Manual. The Company was inactive from the date of incorporation until May 2016. The Company has no significant assets other than cash and proposes to identify and evaluate potential acquisitions or business with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

There is no assurance that the Company will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Company's shares from trading.

The Company's principal place of business is 333 Bay Street, Suite 1700, Toronto, Ontario, M5H 2R2.

2. Significant Accounting Policies

a) Statement of Compliance

The significant accounting policies applied in the Company's financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2017.

These financial statements were authorized for issuance by the Board of Directors of the Company on April 26, 2018.

b) Basis of Presentation

The financial statements of the Company are prepared on a going concern basis. The Company's functional and presentation currency is Canadian dollars.

c) Foreign Currency Translation

Monetary assets and liabilities of the Company denominated in a foreign currency are translated at the rate of exchange prevailing at the date of the statements of financial position and revenues and expenses are translated at the rate of exchange prevailing on the day of the transaction. Gains and losses on translation of these items are included in comprehensive income.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

2. Significant Accounting Policies (continued)

d) Cash

Cash includes bank deposits at a reputable financial institution in Canada.

e) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the statements of loss and comprehensive loss.

Financial Assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following specified categories: fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”), available-for-sale (“AFS”) and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the end of each financial reporting period. The quoted market price used for financial assets held by the Company is the last bid price.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial Liabilities

Financial liabilities are classified as other financial liabilities and are initially measured at fair value net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

2. Significant Accounting Policies (continued)

e) Financial Instruments (continued)

Financial Liabilities (continued)

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company's financial assets and liabilities are classified and subsequently measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Subsequent Measurement</u>
Cash	FVTPL	Fair value through profit or loss
Deposits held in trust	FVTPL	Fair value through profit or loss
Short-term advance	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

f) Deferred Taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

2. Significant Accounting Policies (continued)

g) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance and are measured at the fair value.

h) Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit or loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations and items that will be reclassified subsequently directly to equity. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the statements of comprehensive income (loss) and the statements of changes in equity.

i) Loss per Share

Per IAS 33 "Earnings per Share" applies to a company whose common shares or potential common shares are traded in a public market or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing common shares in a public market. Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. In order to calculate loss per share in these financial statements, the Company has calculated the weighted average number of shares outstanding for the years ended December 31, 2017 and 2016. During the year ended December 31, 2017, the Company's outstanding stock options and agent's warrants were anti-dilutive. The Company did not have any outstanding stock options or agent's warrants outstanding during the year ended December 31, 2016.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

2. Significant Accounting Policies (continued)

i) Share-Based Payments

The Company offers a share option plan for its directors, officers, employees and selected consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest.

The Company may, from time to time, issue warrants to agents in connection with raising capital for the Company. The fair value of each warrant is measured using the Black-Scholes option pricing model. The resulting expense is recognized in equity as a reduction of the proceeds from the capital raise.

Any consideration paid on exercise of share options and warrants is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options and warrants are exercised.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the fair value of the equity instrument is used.

j) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These financial statements include estimates, that, by their nature, are uncertain. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant judgments, estimates and assumptions include those related to the fair value of stock based compensation and warrants, the recognition of deferred tax assets, and the evaluation of contingencies. Management has determined that judgments, estimates and assumptions reflected in these financial statements are reasonable.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

2. Significant Accounting Policies (continued)

k) Future Accounting Policies

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, however early adoption is permitted. The Company does not believe that the adoption of IFRS 9 will have a material impact on its financial statements.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company does not believe that the adoption of IFRS 15 will have a material impact on its financial statements.

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016, and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short-term leases and leases with low value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been adopted. A lessee will apply IFRS 16 to its leases either retrospectively to each prior reporting period presented; or retrospectively with the cumulative effect of initially applying IFRS 16 being recognized at the date of initial application. The Company is currently evaluating the impact of IFRS 16 on its financial statements.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

3. 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 Exchange Policy 2.4.

4. Short-Term Advance

During the year ended December 31, 2017, \$3,000 was advanced to an individual. The advance was non-interest bearing and payable on demand. Subsequent to December 31, 2017, the advance was repaid in full.

5. Issued Capital

The Company is authorized to issue an unlimited number of common shares.

During the year ended December 31, 2017, the Company issued 3,888,750 common shares for gross proceeds of \$777,750 pursuant to its initial public offering (the "Offering"). In connection with the issuance of the common shares, the Company paid commissions and other expenses of \$130,171 and issued 388,875 agent's warrants with a fair value of \$40,969 (see note 6).

During the year ended December 31, 2016, the Company issued 1,200,000 common shares for gross proceeds of \$120,000.

Upon closing of the Offering, the 1,200,000 issued common shares of the Company outstanding as of December 31, 2016 became subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

6. Agent's Warrants

During the year ended December 31, 2017, and in connection with the Offering, the Company granted 388,875 agent's warrants pursuant to an Agency Agreement. Each agent warrant entitles the holder to acquire one common share of the Company at a price of \$0.20 per share for a period of 24 months from the date of listing of the common shares on the Exchange. As of the date of these financial statements, the common shares of the Company are yet to be listed on the Exchange.

The fair value of the agent's warrants of \$40,969 was estimated at the grant date based on the Black-Scholes pricing model, using the following inputs and assumptions:

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	1.31%
Expected life	2 years
Expected volatility	100%
Share price	\$0.20

7. Stock Options

During the year ended December 31, 2017, the Company granted 508,875 stock options. Each option entitles the holder to acquire one common share of the Company at a price of \$0.20 per share. Each option shall expire on the later of (i) twelve months following the completion of a Qualifying Transaction; and (ii) 90 days following cessation of the Optionee's position with the Company, provided that if cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, provided that no options may expire later than five years from date such options are granted, that date being December 13, 2022.

The fair value of the options of \$75,870 was estimated at the grant date based on the Black-Scholes pricing model, using the following inputs and assumptions:

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	1.38%
Expected life	5 years
Expected volatility	100%
Share price	\$0.20

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

8. Financial Instruments and Other Risks

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at December 31, 2017, the Company's cash was classified as Level 1 measurement. As at December 31, 2017, the Company had no financial instruments classified at Level 2 and Level 3.

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

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

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of a financial instrument. The Company's financial instruments are designated as held for trading, fair value through profit or loss, available for sale, amortized cost or loans and receivables. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur, except for amortized cost.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

8. Financial Instruments and Other Risks (continued)

Market Risk (continued)

The Company separates market risk into two categories: interest rate risk and foreign exchange risk.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not hedge its exposure to interest rate risk as such risk is minimal. None of the Company's cash balances are subject to variable interest rates.

Foreign Exchange Risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company does not hold any assets denominated in currencies other than the Canadian dollar and is not subject to foreign currency risk.

Credit Risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. Credit risk is managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties. The Company does not have a significant exposure to any individual third party.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The majority of current assets reflected on the statements of financial position are highly liquid. As at December 31, 2017, the Company had current assets of \$658,677 (2016 - \$86,450) to settle current liabilities of \$32,016 (2016 - \$37,067).

9. Capital Disclosures

As at December 31, 2017, the Company was not subject to any regulatory capital requirements. The Company's capital is composed of equity, including shareholder's equity and deficit.

The Company's objectives when managing capital include:

- (a) ensuring that the Company meets relevant regulatory capital requirements when applicable,
- (b) ensuring that the Company is able to meet its financial obligations as they become due; and
- (c) ensuring that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions.

Victory Capital Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

Stated in Canadian Dollars

10. Deferred Taxes

a) Income Tax Expense

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 - 26.5%) is as follows:

	2017	2016
Loss before income taxes	\$ (146,171)	\$ (70,617)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	(38,740)	(18,714)
Share based compensation	20,110	-
Undeducted share issuance costs	(34,490)	-
Change in deferred tax benefits not recognized	53,120	18,714
Income tax (recovery) expense	\$ -	\$ -

b) Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016
Share issuance costs - 20(1)(e)	\$ 120,360	\$ -
Non-capital losses carried forward - Canada	\$ 150,730	\$ 70,617

c) Non-Capital Losses

The Canadian non-capital losses expire as noted in the table below:

2036	\$ 70,620
2037	80,110
	<u>\$ 150,730</u>