

HANSTONE CAPITAL CORP.

CONDENSED INTERIM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

HANSTONE CAPITAL CORP.

Notice to Reader:

These condensed interim financial statements of Hanstone Capital Corp. (the “Company”) have been prepared by management and reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

HANSTONE CAPITAL CORP.
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at September 30, 2019
(Expressed in Canadian dollars)

	September 30 2019	December 31 2018
ASSETS		
Current		
Cash	\$ 351,046	\$ 98,276
Prepays and deposits	-	49,654
Total assets	\$ 351,046	\$ 147,930
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable	\$ -	\$ -
Shareholders' equity		
Share capital (Note 3)	450,000	150,000
Share issue costs	(50,516)	-
Stock options reserve	25,700	25,700
Deficit	(74,138)	(27,770)
Total shareholders' equity	351,046	147,930
Total liabilities and shareholders' equity	\$ 351,046	\$ 147,930

Nature of operations (Note 1)

Basis of presentation (Note 2)

On behalf of the Board:

“Robert J Quinn”

Director

“Bob Hans”

Director

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

HANSTONE CAPITAL CORP.**CONDENSED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

For the three and nine months ended September 30, 2019

(Expressed in Canadian dollars)

	Three months ended September 30, 2019	Nine months ended September 30, 2019
EXPENSES		
Bank charges and foreign exchange	\$ 160	\$ 303
Legal	232	18,495
Listing and filing fees	125	21,914
Office supplies and services	332	1,456
Professional Fees - Audit	-	4,200
Net loss for the period	\$ 849	\$ 46,368
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	6,000,000	6,000,000

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

HANSTONE CAPITAL CORP.**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the nine months ended September 30, 2019 and from the date of incorporation on October 11, 2018 to December 31, 2018

(Expressed in Canadian dollars)

	Share Capital		Stock Options Reserve	Deficit	Total
	Number of Shares	Amount			
Balance, October 11, 2018	-	\$ -	\$ -	\$ -	\$ -
Common shares issued	3,000,000	150,000	-	-	150,000
Stock-based compensation	-	-	25,700	-	25,700
Loss for the period	-	-	-	(27,770)	(27,770)
Balance, December 31, 2018	3,000,000	\$ 150,000	\$ 25,700	\$ (27,770)	\$ 147,930
Common shares issued	3,000,000	300,000	-	-	300,000
Share issue costs	-	(50,516)	-	-	(50,516)
Loss for the period	-	-	-	(46,368)	(46,368)
Balance, September 30, 2019	6,000,000	399,484	\$ 25,700	\$ (74,138)	\$ 351,046

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

HANSTONE CAPITAL CORP.**CONDENSED INTERIM STATEMENT OF CASH FLOWS**

For the nine months ended September 30, 2019

and from the date of incorporation on October 11, 2018 to December 31, 2018

(Expressed in Canadian dollars)

	September 30 2019	October 11 to December 31 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (46,368)	\$ (27,770)
Adjustment for non-cash item:		
Stock-based compensation	-	25,700
Changes in non-cash working capital items:		
Prepays and deposits	49,654	(49,654)
Net cash used in operating activities	<u>3,286</u>	<u>(51,724)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common shares issued	300,000	150,000
Less: Share issue costs	<u>(50,516)</u>	<u>-</u>
Net cash provided by financing activities	<u>249,484</u>	<u>150,000</u>
Change in cash during the period	252,770	98,276
Cash, beginning of period	<u>98,276</u>	<u>-</u>
Cash, end of period	<u>\$ 351,046</u>	<u>\$ 98,276</u>
Supplemental Cash Flow Information		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

HANSTONE CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Hanstone Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on October 11, 2018.

The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a qualifying transaction under the auspices of the Capital Pool Company policies of the TSX Venture Exchange. The head office and principal business address of the Company is Suite 600 – 890 West Pender St., Vancouver, BC, V6C 1K4.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at September 30, 2019, the Company has not generated any revenues from operations and has an accumulated deficit of \$74,138. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS issued by the IASB.

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed financial statements have been prepared using the accrual basis of accounting, except for cash flow information. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the December 31, 2018 annual financial statements.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on November 28, 2019.

HANSTONE CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2019

(Expressed in Canadian dollars)

Basis of Measurement

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 are presented in Canadian dollars, which is also the Company's functional currency.

Judgments and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates where management's judgment is applied include asset valuation, asset retirement obligations, income taxes, share-based payments and ability to continue as a going concern. Actual results may differ from those estimates and judgements.

Change in accounting policy --- New accounting pronouncements

Effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases:

Under IFRS 16, the Company is required to review all its contracts to determine if they contain leases or lease-type arrangements. Virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, the Company will be required to recognize leased assets ("right-of-use" assets) and the related lease liability on the statement of financial position.

IFRS 16 is applicable to the Company's annual period beginning on January 1, 2019. Management has assessed that IFRS 16 did not have any effect on the Company's current financial statements, but could have an impact in the future.

3. SHAREHOLDERS' EQUITY

Authorized share capital

Unlimited common shares, without par value.

Share issuances

On October 11, 2018, the Company issued 3,000,000 common shares at \$0.05 to the founding directors and officers of the Company for proceeds of \$150,000.

HANSTONE CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2019

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On April 29, 2019, the Company completed its initial public offering by issuing an aggregate of 3,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$300,000. The Company paid a commission of 10% of the gross proceeds of the offering and a corporate finance fee of \$10,000 to the agent in the transaction. The Company also reimbursed the agent for its expenses in connection with the offering and issued 300,000 agent's options, with each option exercisable for a share of the Company at a price of \$0.10 per share until April 29, 2021.

Stock options*Incentive Stock Options*

On December 4, 2018 the Company adopted an incentive stock option plan (the "Option Plan") which allows the Company's Board of Directors, at its discretion and in accordance with TSX Venture Exchange requirements, to grant non-transferable options to purchase common shares to its directors, officers, employees and technical consultants to the Company. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant and vesting terms will be determined at the time of grant by the Board of Directors.

On December 4, 2018, the Company granted 600,000 stock options to directors and officers of the Company with an exercise price of \$0.10 per share expiring ten years from the date of listing of the Company's shares on the TSX Venture Exchange. The fair value of these options was calculated to be \$25,700 using the Black-Scholes Option Pricing Model using the following assumptions: expected life of the option: 10 years; expected volatility: 100%; expected dividend yield: 0%; and risk-free interest rate: 2.18%.

As at September 30, 2019, 600,000 stock options were exercisable and outstanding.

Agent's Options

On April 29, 2019, the Company issued 300,000 options to the Company's agent as part of the agent's compensation with respect to the sale of the Company's initial public offering. The agent's options are exercisable at a price of \$0.10 per share for two years and have an expiry date of April 29, 2021. Not more than 50% of the aggregate number of common shares which can be acquired by the agent on the exercise of the agent's Options may be sold by the agent prior to the completion of the Company's qualifying transaction. The remaining 50% may be sold after the completion of the qualifying transaction.

4. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2019, there were no fees or payments incurred or paid to any of the directors or officers of the Company.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2019, the Company's financial instruments are comprised of cash. The fair values of these financial instruments approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at September 30, 2019, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

The Company's risk exposure and the impact on the Company's financial instruments is 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's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. This risk is considered to be minimal.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. There are no current assets held in other currencies and therefore the foreign exchange risk is assessed as low.

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6. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2019, the Company's shareholders' equity was \$351,046. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses. Additional funds may be required to finance the Company's future business opportunities.

The gross proceeds realized from the sale of the securities issued by the Company may only be used to identify and evaluate assets or businesses and obtain shareholder approval for the Qualifying Transaction ("QT"). Until the completion of the QT, no payment of any kind may be made, directly or indirectly, by the Company to a non-arm's length party to the Company or a non-arm's length party to the QT, or to any person engaged in investor relations activities in respect of the Company or the securities of the Company, except to reimburse reasonable expenses for office supplies, office rent, utilities, equipment leases, legal services and out-of-pocket expenses incurred in pursuing the identification and evaluation of assets or businesses with a view to completing a QT.

The Company is not subject to any externally imposed capital requirements, except as noted above. There were no changes to the Company's approach to capital management during the period ended March 31, 2019.

7. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the identification and evaluation of assets or businesses with a view to completing a qualifying transaction under the auspices of the Capital Pool Company policies of the TSX Venture Exchange. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.