

**Cherry Street Capital
Inc.**
(A Capital Pool Corporation)

Financial Statements

**For the Year Ended
December 31, 2018 and for the Period from
Incorporation (June 5, 2017) to December 31,
2017
(In Canadian Dollars)**

Independent Auditor's Report

To the Shareholders of Cherry Street Capital Inc.:

Opinion

We have audited the financial statements of Cherry Street Capital Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and for the period from June 5, 2017 (date of incorporation) to December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017 and its financial performance and its cash flows for year ended December 31, 2018 and the period from June 5, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

MNP LLP

Toronto, Ontario
April 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Cherry Street Capital Inc.
Statements of Financial Position
(in Canadian dollars)

As at	December 31, 2018	December 31, 2017
Current assets		
Cash held in trust	\$ 834,763	457,693
Deferred Offering Costs	-	27,858
Total current assets	834,763	485,551
Current Liabilities		
Accrued liabilities	12,897	12,858
Shareholders' equity		
Share Capital, net of issuance costs (note 3)	897,076	494,822
Contributed surplus	142,462	-
Accumulated deficit	(217,672)	(22,129)
Total Shareholders' equity	821,866	472,693
Total Liabilities and shareholders' equity	\$ 834,763	485,551

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

Approved by the Board **Rudy Cheddie**
Director (Signed)

 Joseph Del Moral
Director (Signed)

Cherry Street Capital Inc.

Statements of Loss and Comprehensive Loss

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

		For the year ended December 31, 2018	From the Period of Incorporation (June 5, 2017) to December 31, 2017
Expenses			
Professional fees	\$	64,370	\$ 5,179
Listing fees		16,584	16,950
Stock-based compensation		114,589	-
Net loss and comprehensive loss for the year/period	\$	(195,543)	\$ (22,129)
Net loss per share (Basic and Diluted)	\$	(0.71)	\$ (0.00)
Weighted average number of shares outstanding (Basic and Diluted)	\$	274,038	-

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

Cherry Street Capital Inc.

Statements of Changes in Shareholders' Equity

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

	Number of shares	Share capital	Contributed Surplus	Accumulated deficit	Total Shareholders' Equity
Balance, June 5, 2017	-	\$ -	\$ -	\$ -	\$ -
Share Subscription	2,000,000	500,000	-	-	500,000
Cost of issuance	-	(5,178)	-	-	(5,178)
Net loss for the period	-	-	-	(22,129)	(22,129)
Balance, December 31, 2017	2,000,000	\$ 494,822	\$ -	\$ (22,129)	\$472,693
Balance at January 1, 2018	2,000,000	\$494,822	\$ -	\$ (22,129)	\$472,693
Initial Public Offering	1,050,000	525,000	-	-	525,000
Cost of issuance	-	(94,873)	-	-	(94,873)
Issuance of agent warrants	-	(27,873)	27,873	-	-
Stock-based compensation	-	-	114,589	-	114,589
Net loss for the year	-	-	-	(195,543)	(195,543)
Balance, December 31 2018	3,050,000	\$897,076	\$142,462	\$(217,672)	\$821,866

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

Cherry Street Capital Inc.**Statements of Cash Flows**

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

	Year ended December 31, 2018	From the date of incorporation (June 5, 2017) to December 31, 2017
Cash provided by (used in)		
Operating activities		
Net loss for the year/period	\$ (195,543)	\$(22,129)
Stock-based compensation	114,589	-
Change in deferred offering costs	27,858	(27,858)
Change in accrued liabilities	39	12,858
Cash Used in Operating Activities	(53,057)	(37,129)
Financing		
Share subscription, net of cash issuance costs	430,127	494,822
Cash provided by financing activities	430,127	494,822
Net change in cash	377,070	457,693
Cash beginning of year /period	457,693	-
Cash end of year/ period	\$ 834,763	\$ 457,693

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

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

1. INCORPORATION AND NATURE OF OPERATIONS

Cherry Street Capital Inc. (“the Company”), was incorporated under the Ontario Business Corporations Act on June 5, 2017 and is classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Company has not commenced operations and has no assets other than cash held in trust. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company, as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval.

The head office and the registered head office of the Company is located at 77 King Street, suite 700, Toronto, ON M5K 1G8.

On April 26, 2019 the Board of Directors approved the financial statements for the year ended December 31, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Basis of Presentation

The financial statements are presented in Canadian dollars (“CAD”), which is the Company’s functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss (“FVPTL”), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Common shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding common shares.

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

Share-based Compensation

Equity-settled share based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Company's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Financial Instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Cash is classified as fair value through profit and loss and any period change in fair value is recorded in profit or loss. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statements of financial position.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Standards issued

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The company adopted this standard on January 1, 2018, which had no impact on the financial statements

3. SHARE CAPITAL

Authorized

Unlimited common shares

Issued	#	\$
2,000,000 common shares (i)	2,000,000	\$ 500,000
1,050,000 common shares (ii)	1,050,000	525,000
Cost of issuance-cash		(100,051)
Cost of issuance-share based payment		(27,873)
Balance, December 31, 2018	3,050,000	\$ 897,076

Escrowed Shares

(i) During the period ended December 31, 2017, the Company issued 2,000,000 common shares at \$0.25 per share for total proceeds of \$500,000.

The 2,000,000 issued common shares will be held in escrow pursuant to the requirements of the Exchange.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued. As a result, the escrow shares have not been contemplated in the weighted-average shares outstanding calculation.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be subject to escrow.

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

3. SHARE CAPITAL (continued)

Initial Public Offering

(ii) On September 27, 2018, the Company completed an initial public offering (“IPO”) of 1,050,000 common shares at \$0.50 per share (\$525,000). The Company paid a commission of 10% of gross proceeds to the Agent (Canaccord Genuity Corp.) and granted the Agent an option purchase up to 105,000 of the common shares issued in the offering exercisable for a period ending twenty-four months from the date the Company’s Common Shares are listed on the TSX Venture Exchange, exercisable at \$0.50 per share. The Company also reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering.

Options

The Company has established a stock option plan for its directors, officers and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The options shall not result at any time: (i) the number of shares reserved for issuance pursuant to options granted to Insiders exceeding 10% of the issued and outstanding shares ii) the grant to Insiders within a 12 month period, of a number of options exceeding 10% of outstanding shares or iii) the grant to any one (1) Optionee within a 12 month period, of a number of options exceeding 5% of the issued and outstanding shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and expire within the later of the expiry date or 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire the earlier of the expiry date of the option or one year after death.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and warrants	Weighted Average Exercise Price (\$)
January 1, 2018	-	-
Granted (i)	105,000	\$0.50
Granted to directors and officers (ii)	305,000	\$0.50
Balance, December 31, 2018	410,000	\$0.50

- i. On September 27, 2018, the Company granted 105,000 compensation warrants to the Agent, which are exercisable within two years from the date of grant at an exercise price of \$0.50 per share. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.19%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$27,873.
- ii. On September 27, 2018, the Company granted 305,000 options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.50 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.32%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$114,589.

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

3. SHARE CAPITAL (continued)

The following table reflects the actual options issued and outstanding as of December 31, 2018:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options and Warrants Outstanding	Number of Options and Warrants Vested (Exercisable)
September 27 2020	\$0.50	1.74	105,000	105,000
September 27 2023	\$0.50	4.41	305,000	305,000
	\$0.50	3.72	410,000	410,000

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Company includes equity, comprised of share capital and deficit, in the definition of capital.

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

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.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash held in trust and accrued liabilities, approximate fair value due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Company incurred legal fees of approximately \$38,843 (2017-\$5,179) for services provided by a law firm whose partner is a director of the Company. As at December 31, 2018, \$8,665 (2017-\$12,858) is included in accrued liabilities for these services. As at December 31, 2017, \$12,858 has been included in deferred offering costs for these services. Additionally, the Company incurred stock-based compensated expenses related to directors and officers valued at \$114,589 (2017-nil).

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2018.

Cherry Street Capital Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2018 and for the Period from Incorporation (June 5, 2017) to December 31, 2017

6. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% (2017 – 26.5%) and the Company's effective income tax expense is as follows:

	2018	2017
Net loss for the period	\$ (195,543)	\$(22,129)
Expected income tax recovery	(51,819)	(5,864)
Share-based compensation	30,366	-
Share issuance costs booked to equity	(25,142)	(1,372)
Deferred tax assets not recognized	46,595	7,236
Income tax recovery	\$ -	\$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary difference that arise due to the difference 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:

	2018	2017
Share issuance costs – 20(1) (e)	\$ 79,445	\$ 4,582
Non-capital losses carried forward – Canada	123,689	22,724

The Canadian non-capital loss carry forwards expire as noted in the table below:

2037	\$ 22,724
2038	100,965
	\$ 123,689
