

NAVION CAPITAL INC.

Condensed Interim Financial Statements
August 31, 2018
Unaudited

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements of Navion Capital Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

NAVION CAPITAL INC.Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Note	August 31, 2018	November 30, 2017
Assets			
Current			
Cash		\$ 184,202	\$ 82,375
		184,202	82,375
Deferred financing cost	3	-	15,000
Total assets		\$ 184,202	\$ 97,375
Liabilities			
Current			
Due to related party	5	\$ -	\$ 9,050
Current liabilities		-	9,050
Shareholders' equity			
Share capital	4	202,961	100,000
Reserves		40,592	-
Deficit		(59,351)	(11,675)
Total shareholders' equity		184,202	88,325
Total liabilities and shareholders' equity		\$ 184,202	\$ 97,375

Nature and continuance of operations (Note 1)

On behalf of the Board on October 29, 2018:

"Peter Hughes" Director

"Livio Susin" Director

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

NAVION CAPITAL INC.Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

Note	Three Months Ended August 31, 2018	Nine Months Ended August 31, 2018
Expenses		
Office expenses	\$ 959	\$ 3,052
Regulatory and listing expenses	1600	1,600
Professional fees	13,023	13,023
Share-based compensation	-	30,001
Loss and comprehensive loss	\$ (15,582)	\$ (47,676)
Basic and diluted loss per share	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	4,000,000	2,766,423

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

NAVION CAPITAL INC.Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

	Number	Amount	Reserve	Deficit	Total
Balance, October 18, 2017	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares	2,000,000	100,000	-	-	100,000
Net loss for the period	-	-	-	(11,675)	(11,675)
Balance, November 30, 2017	2,000,000	\$ 100,000	\$ -	\$ (11,675)	\$ 88,325
Issuance of common shares	2,000,000	200,000	-	-	200,000
Share-based compensation	-	-	30,001	-	30,001
Share issuance costs	-	(97,039)	10,591	-	(86,448)
Net loss for the period	-	-	-	(47,676)	(47,676)
Balance, August 31, 2018	4,000,000	\$ 202,961	\$ 40,592	\$ (59,351)	\$ 184,202

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

NAVION CAPITAL INC.Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended August 31, 2018
Cash flows from operating activities	
Net Loss for the period	\$ (47,676)
Adjustment to reconcile loss to net cash Share-based compensation	30,001
Changes in non-cash working capital balances:	
Decrease in deferred financing cost	15,000
Decrease in due to related party	(9,050)
Net cash used in operating activities	(11,725)
Cash flows from financing activities	
Proceeds from issuance of common shares, net	113,552
Net cash provided by financing activities	113,552
Increase in cash during the period	101,827
Cash, beginning of period	82,375
Cash, end of period	\$ 184,202

The fair value of the Agent Options of \$10,591 was a non-cash item included in share issuance costs.

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

NAVION CAPITAL INC.

Notes to the Condensed Interim Financial Statements

August 31, 2018

(Unaudited - Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Navion Capital Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on October 18, 2017. The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT").

On May 18, 2018, the Corporation announced the completion of its initial public offering (the "IPO") of 2,000,000 common shares at a price of \$0.10 per common share and filed for listing as a Capital Pool Company on the TSX Venture Exchange. The common shares of the Corporation commenced trading on May 23, 2018 under the trading symbol NAVN.P. (Note 4)

On August 17, 2018 the Company signed a letter of intent ("LOI") with Hollyweed North Cannabis Inc. ("Hollyweed"), a private Canadian company incorporated in British Columbia in 2017. Hollyweed has operating subsidiaries specializing in the growth, manufacturing, licensing and production of cannabis and other pharma-grade products. The LOI is intended to constitute the "qualifying transaction" of the Corporation under Policy 2.4 – Capital Pool Companies of the TSX Venture Exchange (the "TSXV").

The transaction is expected to result in the security holders of Hollyweed exchanging all securities, 84,902,686 common shares, 4,181,843 stock options and 56,000 purchase warrants for 84,902,686 shares, 4,181,843 stock options and 56,000 warrants of the Corporation, on the same terms, at a deemed price of \$1.00 per share for a total deemed consideration of \$84,902,686. It is expected that the Corporation and Hollyweed will enter into a definitive agreement during the fourth quarter of 2018. The Transaction is conditional upon the parties completing successful due diligence reviews, the completion by Hollyweed (with the assistance of Navion) of an interim financing yielding at least \$2 million in gross proceeds, and requisite regulatory approvals, including the approval of the TSXV, and standard closing conditions.

The Company's ability to continue as a going concern is dependent upon its ability to complete its QT, to continue raising equity financing, to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of loss and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not be appropriate.

The registered office of the Company is located at 639 – 5th Avenue S.W., Suite 1250, Calgary, Alberta, Canada T2P 0M9. The Company does not have any subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with the Company's financial statements for the period ended November 30, 2017, which include information necessary or useful to understanding the Company's business and financial statement presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Additionally these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements of Navion Capital Inc. for the period ended August 31, 2018 were approved and authorized for issue by the Board of Directors on October 29, 2018.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at August 31, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

Effective for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The Company has determined that adopting IFRS will not have a material impact on its financial statements.

IFRS 15, Revenue Recognition - Revenue from Contracts with Customers establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company has determined that adopting IFRS will not have a material impact on its financial statements.

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

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The extent of the impact of adoption has not yet been determined.

Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. These estimates and judgments are reviewed periodically, and, as adjustments become necessary, they are reported in earnings/loss in the period in which they become known. Significant estimates and judgments made by the Company that have the most significant risk of causing material misstatement to the carrying amounts of assets and liabilities are discussed below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 4.

3. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, accounts payable and accrued liabilities, approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

Fair value hierarchy

As at August 31, 2018, the Corporation held the following financial instruments measured at fair value: cash and cash equivalents (level 1).

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

August 31, 2018

Assets measured at fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 184,202	\$ -	\$ -
Total assets measured at fair value	\$ 184,202	\$ -	\$ -

No liabilities were measured at fair value

During the reporting period ending August 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

4. SHARE CAPITAL

a) Authorized share capital:

As at August 31, 2018, the authorized share capital of the Company was as follows:

- an unlimited number of Class A common shares, of which there are 4,000,000 Class A common shares outstanding. Class A common shares are entitled to one vote per Class A common share, shall be entitled to receive and participate in any dividends declared, subject to the rights of the holders of the preferred shares.
- An unlimited number of Class B common shares, of which none are issued and outstanding. Class B shares are not entitled to voting rights and may receive dividends after preferred shares and Class A common shares; and
- An unlimited number of preferred shares without par value, of which none are issued and outstanding. Preferred shares may be issued from time to time in one or more series having the rights, privileges, restrictions and conditions which the board of directors determines prior to the issue. Preferred shares rank prior to the commons shares with respects to the payment of dividends. Changes in the issued common shares of the Corporation are as follows:

	Share Price	Common Shares	Amount
Balance, February 28, 2018	\$ 0.05	2,000,000	\$ 100,000
Issued, May 18, 2018	\$ 0.10	2,000,000	200,000
Balance, August 31, 2018		4,000,000	\$ 300,000

(b) Share issuance costs

Share issuance costs for the nine months ended August 31, 2018 were \$97,039 in relation to the IPO which occurred on May 18, 2018. Of the \$97,039 in share issuance costs, \$10,591 in fair value was recorded in relation to 200,000 non-transferable options issued to the agent of the IPO (see Black-Scholes options pricing model assumptions below).

(c) Stock options

A summary of stock option activity for the nine months ended August 31, 2018 and the period ended November 30, 2017 is as follows:

	Nine months ended August 31, 2018		Period ended November 30, 2017	
	Number of options	Weighted avg. exercise price	Number of options	Weighted avg. exercise price
Outstanding, beginning of the period	-	\$ -	-	\$ -
Granted	600,000	\$ 0.10	-	-
Exercised	-	-	-	-
Outstanding, end of period	600,000	\$ 0.10	-	\$ -
Exercisable, end of period	600,000	\$ 0.10	-	\$ -

Pursuant to the closing of the IPO, the Corporation granted 200,000 non-transferable options to the agent on the offering. The agents' options, which vested immediately, may be exercised at a price of \$0.10 per common share until May 23, 2020.

The Corporation also granted 400,000 options to directors and officers of the Corporation. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of five (5) years from the date of the agreement.

The Corporation recorded \$30,001 in share-based compensation in the condensed interim statement of operations pursuant to these options.

The fair value of each stock option is estimated at the date of grant using the Black-Scholes options pricing model and the following average assumptions:

	August 31, 2018
Risk-free interest rate	2.00%
Expected life	5.00
Estimated stock price ⁽¹⁾	\$ 0.10
Expected volatility ⁽²⁾	100%
Dividend yield	0.00%

(1) The estimated stock price was determined to be equal to the purchase price during the IPO

(2) The estimated expected share price volatility to be 100% based on the average CPC entity

At August 31, 2018, the weighted average remaining contractual life of the outstanding options is 4.71 years.

At August 31, 2018, there were 600,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Numbers of options outstanding	Exercise price	Expiry Date
400,000	\$ 0.10	May 18, 2023
200,000	\$ 0.10	May 23, 2020
600,000		

5. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes certain executive directors, and entities controlled by such persons. The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

As at August 31, 2018, included in due to related party was \$nil (November 30, 2017 - \$9,050) owed to a director of the Company.

6. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength 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.

7. FINANCIAL INSTRUMENTS AND RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

At August 31, 2018, the Company's financial instruments consist of cash. The fair value of cash is based on level 1 inputs of the fair value hierarchy. The fair value of accounts payables and accrued liabilities approximates its carrying values due to the relatively short-term to maturity.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

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. As at August 31, 2018, the Company had cash of \$184,202.

Interest rate risk

The Company has cash balances and is not exposed to any significant interest rate risk.