

NAVION CAPITAL INC.

Condensed Interim Financial Statements
August 31, 2019
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, 2019	November 30, 2018
Assets			
Current			
Cash		\$ 145,021	\$ 169,036
Total assets		\$ 145,021	\$ 169,036
Liabilities			
Current			
Accounts payable		\$ 11,842	\$ 5,733
Current liabilities		11,842	5,733
Shareholders' equity			
Share capital	4	202,961	202,961
Reserves		40,592	40,592
Deficit		(110,374)	(80,250)
Total shareholders' equity		133,179	163,303
Total liabilities and shareholders' equity		\$ 145,021	\$ 169,036

Nature and continuance of operations (Note 1)

On behalf of the Board on October 29, 2019:

"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, 2019	Three Months Ended August 31, 2018	Nine Months Ended August 31, 2019	Nine Months Ended August 31, 2018
Expenses				
Office expenses	\$ 12	\$ 959	\$ 655	\$ 3,052
Regulatory & investor communications	1,934	1,600	8,139	1,600
Professional fees	13,344	13,023	21,330	13,023
Share-based compensation	-	-	-	30,001
Loss and comprehensive loss	\$ (15,290)	\$ (15,582)	\$ (30,124)	\$ (47,676)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	2,000,000	2,000,000	2,000,000	2,000,000

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

	Number	Amount	Reserve	Deficit	Total
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
Net loss for the period	-	-	-	(20,899)	(20,899)
Balance, November 30, 2018	4,000,000	\$ 202,961	\$ 40,592	\$ (80,250)	\$ 163,303
Net loss for the period	-	-	-	(30,124)	(30,124)
Balance, August 31, 2019	4,000,000	\$ 202,961	\$ 40,592	\$ (110,374)	\$ 133,179

2 million of the common shares are held under an escrow agreement. See note 4.

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, 2019	Nine Months Ended August 31, 2018
Cash flows from operating activities		
Net Loss for the period	\$ (30,124)	\$ (47,676)
Adjustment to reconcile loss to net cash:		
Share-based compensation	-	30,001
Changes in non-cash working capital balances:		
Increase in accounts payable	6,109	-
Decrease in deferred financing cost	-	15,000
Decrease in due to related party	-	(9,050)
Net cash used in operating activities	(24,015)	(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 (decrease) in cash during the period	(24,015)	101,827
Cash, beginning of period	169,036	82,375
Cash, end of period	\$ 145,021	\$ 184,202

The fair value of the Agent Options of \$nil (2018 - \$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, 2019

(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 Company 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 "TSXV"). The common shares of the Company 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 Company under Policy 2.4 – Capital Pool Companies of the TSXV.

The transaction is expected to result in the security holders of Hollyweed exchanging all securities, consisting of 82,257,397 common shares (not including any securities issuable pursuant to any proposed offerings of shares) and 4,257,190 stock options for 82,257,397 shares and 4,257,190 stock options of the Corporation, on the same terms. The transaction will be structured as determined following a review of all relevant legal, regulatory and tax matters. It is expected that the Company and Hollyweed will close the transaction in early 2020. The Transaction is conditional upon the parties completing successful due diligence reviews, the completion by Hollyweed (with the assistance of Navion Capital Inc.) of an interim financing yielding at least \$2,000,000 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 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.

As at August 31, 2019, the Company has a cumulative deficit of \$110,374 (2018 - \$59,351) and a working capital surplus of \$133,179 (2018 - \$184,202). There can be no assurance that a viable business opportunity that can be adequately financed will be identified and available to the Company. Additional equity and/or debt financing is subject to the global financial markets and prevailing economic conditions, which have recently been volatile and distressed. These factors will likely make it more challenging to obtain financing for the Company going forward.

These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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.

NAVION CAPITAL INC.

Notes to the Condensed Interim Financial Statements

August 31, 2019

(Unaudited - Expressed in Canadian Dollars)

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 year ended November 30, 2018, which include information necessary or useful to understanding the Company’s business and financial statement presentation.

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, 2019 were approved and authorized for issue by the Board of Directors on October 29, 2019.

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, 2019 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.

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

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.

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.

NAVION CAPITAL INC.

Notes to the Condensed Interim Financial Statements

August 31, 2019

(Unaudited - Expressed in Canadian Dollars)

3. DEFERRED FINANCING COST

In November 2017, the Company entered into an engagement agreement with Canaccord Genuity Corp. ("Canaccord") whereby Canaccord acted as agent for the Company to provide a public financing by way of an Initial Public Offering (the "Offering" or "IPO"). As at November 30, 2017, the Company had advanced \$15,000 to Canaccord. The amount was initially recorded as a deferred financing cost and was reclassified to share capital on completion of the Offering.

The Company paid for administrative expenses, agents' fees equal to 10% of the gross proceeds from the sale of common shares and issued agents' options equal to 10% of the issued common shares. The agents' options are exercisable at \$0.10 for a period of twenty-four months from the date of the listing of the Company's shares (Note 4).

4. SHARE CAPITAL

(a) Authorized share capital:

As at August 31, 2019, 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.

As at August 31, 2019, 2,000,000 Class A common shares are held in escrow.

(b) Share issuance costs

Share issuance costs for the year ended November 30, 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).

NAVION CAPITAL INC.

Notes to the Condensed Interim Financial Statements

August 31, 2019

(Unaudited - Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)**(c) Stock options**

There was no stock option activity during the period ended August 31, 2019.

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

	Year ended November 30, 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	400,000	\$ 0.10	-	\$ -
Exercised	-	\$ -	-	\$ -
Outstanding, end of period	400,000	\$ 0.10	-	\$ -
Exercisable, end of period	400,000	\$ 0.10	-	\$ -

In addition to the above, pursuant to the closing of the IPO, the Company granted 200,000 non-transferable agent's options. The agents' options, which vested immediately, may be exercised at a price of \$0.10 per common share until May 23, 2020.

The Company also granted 400,000 options to directors and officers of the Company. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of five years from the date of the agreement. The Company recorded \$30,001 in share-based compensation in the statement of loss and comprehensive loss 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 weighted average assumptions:

	<u>November 30, 2018</u>
Risk-free interest rate	2.00%
Expected life	4.00
Expected volatility	100%
Dividend yield	0.00%

At August 31, 2019, the weighted average remaining contractual life of the outstanding options is 2.71 years.

NAVION CAPITAL INC.

Notes to the Condensed Interim Financial Statements

August 31, 2019

(Unaudited - Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

At August 31, 2019, 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.

For the nine months ended August 31, 2019, the Company incurred professional fees of \$4,906 (2018 - \$200) from a company of which a director is a partner.

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, 2019, 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:

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Notes to the Condensed Interim Financial Statements

August 31, 2019

(Unaudited - Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS AND RISK (continued)

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, 2019, the Company had cash of \$145,021 (2018 - \$184,202) and due to related party of \$nil (2018 - \$nil).

Interest rate risk

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

8. SUBSEQUENT EVENTS

On July 5, 2019 the Company announced that Hollyweed is offering, on a non-brokered basis, up to 10,000,000 Hollyweed common shares at a price of \$0.50 per share for gross proceeds of up to \$5 million (the "Non-Brokered Placement"). Hollyweed anticipates closing the Non-Brokered Placement on or before December 15, 2019. Finders' fees of up to 8% cash may be payable to qualified parties in respect of some subscriptions.

Also, Hollyweed has entered into an agreement with Haywood Securities Inc. ("Haywood") whereby, subject to the Non-Brokered Placement being completed with minimum gross proceeds of \$4 million, Haywood will act as lead agent in respect of an offering of approximately \$4 million of subscription receipts ("Subscription Receipts") of Hollyweed on a reasonable commercial best efforts private placement basis pursuant to applicable private placement exemptions under applicable securities laws (the "Brokered Offering"). The Subscription Receipts will be offered at a price per Subscription Receipt to be determined by Haywood and Hollyweed in the context of the market prior to closing. The type of Security offered will be subject to agreement between Haywood and Hollyweed prior to closing, acting reasonably.

Hollyweed will pay to Haywood a cash commission of 8.0% of the gross proceeds of the Brokered Offering and issue compensation options to Haywood equal to 8% of the Securities sold under the Brokered Offering. Each compensation option will be exercisable into one Security at the offering price and will be exercisable for 24 months following the Listing Date. The Company will also pay to Haywood a corporate finance fee of \$125,000. Closing of the Brokered Offering is expected to occur in January 2020 or such other date as Haywood and the Company may agree (the "Closing Date"). On the Listing Date, the Common Shares of Hollyweed, including those issued pursuant to the Non-Brokered Placement and the Brokered Offering will become freely tradable.

The net proceeds received by the Company from the Non-Brokered Placement and the Brokered Offering will be used by Hollyweed and the Resulting Issuer for equipment purchases, facility improvements, and corporate and general working capital purposes.