

NAVION CAPITAL INC.

Financial Statements
November 30, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Navion Capital Inc.

We have audited the accompanying financial statements of Navion Capital Inc., which comprise the statements of financial position as at November 30, 2018 and 2017 and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended November 30, 2018 and the period from incorporation on October 18, 2017 to November 30, 2017, 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 audits. We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Navion Capital Inc. as at November 30, 2018 and 2017 and its financial performance and its cash flows for the year ended November 30, 2018 and the period from incorporation on October 18, 2017 to November 30, 2017 in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Navion Capital Inc.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 28, 2019

NAVION CAPITAL INC.
Statement of Financial Position
(Expressed in Canadian Dollars)

	Note	November 30, 2018	November 30, 2017
Assets			
Current			
Cash		\$ 169,036	\$ 82,375
		169,036	82,375
Deferred financing cost	3	-	15,000
Total assets		\$ 169,036	\$ 97,375
Liabilities			
Current			
Accounts payable		\$ 5,733	\$ -
Due to related party	5	-	9,050
Current liabilities		5,733	9,050
Shareholders' equity			
Share capital	4	202,961	100,000
Reserves		40,592	-
Deficit		(80,250)	(11,675)
Total shareholders' equity		163,303	88,325
Total liabilities and shareholders' equity		\$ 169,036	\$ 97,375

Nature and continuance of operations (Note 1)

On behalf of the Board on March 28, 2019:

"Peter Hughes" Director

"Livio Susin" Director

The accompanying notes are an integral part of these financial statements

NAVION CAPITAL INC.

Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	For the year ended November 30, 2018	For the period from incorporation on October 18, 2017 to November 30, 2017
Expenses			
Office expenses		\$ 4,700	\$ -
Regulatory and listing expenses		4,937	-
Professional fees		28,937	11,675
Share-based compensation		30,001	-
Loss and comprehensive loss		\$ (68,575)	\$ (11,675)
Basic and diluted loss per share		\$ (0.06)	\$ -
Weighted average number of common shares outstanding – basic and diluted		1,073,973	-

The accompanying notes are an integral part of these financial statements

NAVION CAPITAL INC.

Statement of Changes in Shareholders' Equity

For the period from incorporation on October 18, 2017 to November 30, 2018

(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 year	-	-	-	(68,575)	(68,575)
Balance, November 30, 2018	4,000,000	\$ 202,961	\$ 40,592	\$ (80,250)	\$ 163,303

The accompanying notes are an integral part of these financial statements

NAVION CAPITAL INC.
Statement of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended November 30, 2018	For the period from incorporation on October 18, 2017 to November 30, 2017
Cash flows from operating activities		
Loss for the period	\$ (68,575)	\$ (11,675)
Adjustment to reconcile loss for the period to net cash		
Share-based compensation	30,001	-
Changes in non-cash working capital balances:		
Increase in accounts payable	5,733	-
(Decrease) increase in due to related party	(9,050)	9,050
Net cash used in operating activities	(41,891)	(2,625)
Cash flows from financing activities		
Deferred financing cost	-	(15,000)
Proceeds from issuance of common shares, net	128,552	100,000
Net cash provided by financing activities	128,552	85,000
(Decrease) increase in cash during the period	86,661	82,375
Cash, beginning of period	82,375	-
Cash, end of period	\$ 169,036	\$ 82,375

There were no non-cash financing or investing activities for the year ended November 30, 2018 and for the period from incorporation on October 18, 2017 to November 30, 2017.

The accompanying notes are an integral part of these financial statements

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(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, 84,902,686 common shares, 4,181,843 stock options and 56,000 share purchase warrants for 84,902,686 shares, 4,181,843 stock options and 56,000 share purchase warrants of the Company, on the same terms. It is expected that the Company and Hollyweed will enter into a definitive agreement during the second quarter of 2019. 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 November 30, 2018, the Company has a cumulative deficit of \$80,250 (2017 - \$11,675) and a working capital surplus of \$163,303 (2017 - \$73,325). 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 Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements of Navion Capital Inc. for the year ended November 30, 2018 were approved and authorized for issue by the Board of Directors on March 28, 2019.

Critical Accounting Estimates, Judgments and Assumptions

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

Deferred tax liabilities and assets

Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

Share-based payments

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based expense

The Company accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share-based expense reserve, over the vesting periods. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be readily measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding because the effect is anti-dilutive. The Company has 2,000,000 common shares outstanding as of November 30, 2018 and 2017 which are contingently cancellable and are excluded from the calculation of the weighted average number of common shares outstanding.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Financial assets are classified into one of four categories:

- a) Fair value through profit or loss ("FVTPL");
- b) Held-to-maturity ("HTM");
- c) Loans and receivables; and
- d) Available for sale ("AFS").

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss. The Company classified its cash as FVTPL, which is measured at fair value.

Held to maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows.

Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available for sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are classified into one of two categories:

- a) Fair value through profit or loss; and
- b) Other financial liabilities

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statements of loss and comprehensive loss.

Other financial liabilities

This category includes due to related party, which is recognized at amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax 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 expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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, 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.

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 November 30, 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.

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.

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).

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

4. SHARE CAPITAL

(a) Authorized share capital:

As at November 30, 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.

As at November 30, 2018, 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 Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

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

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 November 30, 2018, the weighted average remaining contractual life of the outstanding options is 3.46 years.

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

At November 30, 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.

For the year ended November 30, 2018, the Company incurred professional fees of \$15,578 and share issuance costs of \$29,923 from a company of which a director is a partner.

For the year ended November 30, 2018 the Company granted stock options to directors and officers of the Company and recognized a share-based compensation expense of \$30,001 (2017 - \$nil).

As at November 30, 2018, included in due to related party was \$nil (2017 - \$9,050) in professional fees 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 November 30, 2018, the Company's financial instruments consist of cash and due to related party. 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:

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(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 November 30, 2018, the Company had cash of \$169,036 (2017 - \$82,375) and due to related party of \$nil (2017 - \$9,050).

Interest rate risk

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

8. INCOME TAXES

A reconciliation of income tax (recovery) at statutory rates with the reported taxes for the period ended November 30, 2017 and year ended November 30, 2018 is as follows:

	2018	2017
Loss before income taxes	\$ (68,575)	\$ (11,675)
Expected income tax (recovery)	\$ (19,000)	\$ (3,000)
Share issuance costs	(23,000)	
Change in unrecognized deductible temporary differences	42,000	3,000
Income tax recovery	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

Non-capital losses available for future periods	\$ 26,000
Share issuance costs	19,000
Unrecognized deferred tax assets	(45,000)
Net deferred tax assets	\$ -

NAVION CAPITAL INC.

Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian Dollars)

8. INCOME TAXES (continued)

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	2018	Expiry date range	2017	Expiry date range
Temporary differences:				
Share issue costs	\$ 69,000	2039-42	\$ -	N/a
Non-capital losses available for future periods	\$ 98,000	2037-38	\$ 12,000	2037