

Cluny Capital Corp.
(A Capital Pool Company)

Financial Statements

(in Canadian dollars)

**For the Years Ended December 31, 2017 and
2016**



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cluny Capital Corp. (A Capital Pool Company)

We have audited the accompanying financial statements of Cluny Capital Corp. which comprise the statements of financial position as at December 31, 2017 and 2016 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended 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.

Auditor's 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 auditor's 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, the financial statements present fairly, in all material respects, the financial position of Cluny Capital Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended 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 indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2018
Toronto, Ontario

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Cluny Capital Corp.
(A Capital Pool Company)
Statements of Financial Position
(in Canadian dollars)
As at December 31, 2017 and 2016

	2017	2016
Assets		
Current		
Cash (Note 4)	\$ 3,774	\$ 87,614
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 12,337	\$ 9,311
Shareholders' Deficiency		
Share capital (Note 5)	456,722	456,722
Stock option reserves (Note 6)	84,839	84,839
Contributed surplus (Note 6)	32,300	32,300
Retained earnings	(582,424)	(495,558)
	(8,563)	78,303
	\$ 3,774	\$ 87,614

Nature of the corporation and going concern (Note 1)

Approved on behalf of the Board

Director

Director

Cluny Capital Corp.
(A Capital Pool Company)
Statement of Comprehensive Loss
(in Canadian dollars)
Years Ended December 31, 2017 and 2016

	2017	2016
Interest revenue	\$ 98	\$ 487
Expenses		
Professional fees	65,336	145,335
Acquisition related expenses	-	26,990
Listing fees	21,628	15,053
	86,964	187,378
Net loss and comprehensive loss	\$ 86,866	\$ 186,891

Net loss per common share

Basic and diluted	\$ (0.04)	\$ (0.08)
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Weighted average number of common shares outstanding

Basic and diluted	2,233,700	2,233,700
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Cluny Capital Corp.
(A Capital Pool Company)
Statement of Changes in Equity
(in Canadian dollars)
Years Ended December 31, 2017 and 2016

	Share Capital		Stock Option Reserves	Contributed Surplus	Accumulated Deficit	Total
	Number of Shares	Amount				
Balance, January 1, 2016	3,733,701	\$ 456,722	\$ 117,139	\$ -	\$ (308,667)	\$ 265,194
Reclassification of expired options	-	-	(32,300)	32,300	-	-
Net loss and comprehensive loss	-	-	-	-	(186,891)	(186,891)
Balance, December 31, 2016	3,733,701	456,722	84,839	32,300	(495,558)	78,303
Net loss and comprehensive loss	-	-	-	-	(86,866)	(86,866)
Cancellation of seed shares	(500,001)	-	-	-	-	-
Balance, December 31, 2017	3,233,700	\$ 456,722	\$ 84,839	\$ 32,300	\$ (582,424)	\$ (8,563)

Cluny Capital Corp.
(A Capital Pool Company)
Statement of Cash Flows
(in Canadian dollars)
Years Ended December 31, 2017 and 2016

	2017	2016
Cash provided by (used in)		
Operations		
Net loss	\$ (86,866)	\$ (186,891)
Net changes in non-cash working capital		
Accounts payable and accrued liabilities	3,026	(28,648)
	(83,840)	(215,539)
Net change in cash	(83,840)	(215,539)
Cash, beginning of year	87,614	303,153
Cash, end of year	\$ 3,774	\$ 87,614

1. NATURE OF OPERATIONS AND GOING CONCERN

Cluny Capital Corp. (the "Company") was incorporated under the Business Corporations Act (Ontario) on August 11, 2011 and is classified as a Capital Pool Company ("CPC") as defined by the TSX Venture Exchange Inc. (the "Exchange"). The Company has no significant assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange policy 2.4.

Effective March 13, 2017 the Company was transferred to the NEX board of the TSX Venture Exchange. In connection with the transfer to the NEX, a total of 500,001 common shares of the Company issued to non-arm's length parties that constituted "seed shares" under policy 2.4 of TSX Venture Exchange have been cancelled. The trading symbol for the Company has changed from CLN.P to CLN.H.

The head office, principal address, registered address and records office of the Company are located at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario Canada M5X 1G5.

On April 30, 2018 the Board of Directors approved the financial statements for the years ended December 31, 2017 and 2016.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended December 31, 2017, the Company reported a net loss of \$86,866 (2016 - \$186,891), used net cash in operating activities of \$83,840 (2016 - \$215,539) and has an ending cash balance of \$3,774 (2016 - 87,614). The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that cause significant doubt regarding the going concern assumption.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

The 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 IFRS Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (Cont'd)

Basis of Preparation

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant estimates and judgments include the assumptions used for determining the amount of deferred income taxes and deferred income tax assets and liabilities including deferred income tax rate, the estimates of accounts payable and accrued liabilities, and as more fully described in Note 6, calculation of the fair value of stock options issued, as it requires the use of estimates in determining inputs in the stock option valuation models.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, FVTPL, available for sale, FVTPL liabilities or other financial liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivables, and other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Accounts payable and accrued liabilities	Other financial liabilities

The Company's financial instruments measured at fair value on the statement of financial position consist of cash. Cash is measured using level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

Stock-Based Compensation

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted to employees is measured at fair value at the grant date using the Black Scholes option pricing model and recognized over the vesting period of the options granted.

Compensation expense for stock options granted to non-employees is measured at the fair of the goods or services received. However, if the fair value cannot be estimated reliably, the share based payment transaction is measured at the fair value of the stock options granted at the date the Company received the goods or the services using the Black Scholes option pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loss Per Share

The Company presents basic and diluted loss per share data 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 is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares.

Outstanding ordinary shares that are contingently returnable (including escrowed shares) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall.

Deferred Taxes

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Share Issuance Costs

Professional fees, consulting fees and other costs that are directly attributable to financial transactions are charged to share capital when the related shares are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Changes in Accounting Policies

The Company is currently evaluating the impact of the below standard on its financial performance and financial statement disclosures but expects that such impact will not be material.

The following standard has been issued but is not yet effective:

- (a) IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss caused by changes to the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting, which will allow entities to better reflect their risk management activities in financial statements. The most significant improvements apply to those that hedge non-financial risk, so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. The effective date for IFRS 9, which is to be applied retrospectively, is for annual periods beginning on or after January 1, 2018.

4. CASH RESTRICTION

The proceeds raised from the issuance of common shares, prior to completion of the Qualifying Transaction, 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 and \$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 Exchange policy 2.4. The Company has exceeded this limit but has not yet completed its Qualifying Transaction. The impact of this violation is unknown and is ultimately dependent on the Exchange.

Cluny Capital Corp.
(A Capital Pool Company)
Notes to Financial Statements
(in Canadian dollars)
December 31, 2017 and 2016

5. SHARE CAPITAL

Authorized
unlimited common shares without par value

Issued and outstanding

	Number	Amount
Balance at December 31, 2016 and 2015	3,733,701	\$ 456,722
Cancellation of seed shares (Note 1)	(500,001)	-
Balance at December 31, 2017	3,233,700	\$ 456,722

On August 20, 2014 the corporation completed its initial public offering. The Corporation issued 2,233,700 common shares at a price of \$0.20 per share for gross proceeds to the Corporation of \$446,740. As a result of this issuance, the Corporation had 3,733,701 common shares issued and outstanding, of which 1,500,001 common shares were held in escrow. Share issue costs incurred with regards to this share issuance exclusive of the agent's options amounted to \$107,719.

The above seed shares are held in Escrow, and under the CPC Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin, which is the Exchange Bulletin issued following the closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange Acceptance of the Qualifying Transaction (the "Initial Release"). An additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

On March 13, 2017, the Company cancelled 500,001 Seed Shares held by non-arm's length parties in accordance with Exchange policies, as a result of its failure to complete a Qualifying Transaction within the deadline imposed by the Exchange (Note 1). As of December 31, 2017 there are 1,000,000 (2016 - 1,500,001) common shares held in escrow, and the weighted average shares outstanding does not include shares held in escrow as they are contingently returnable.

Cluny Capital Corp.
(A Capital Pool Company)
Notes to Financial Statements
(in Canadian dollars)
December 31, 2017 and 2016

6. STOCK OPTIONS

The following summarizes the stock option activities during the year:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	596,740	\$ 0.20
Cancelled (a)	(26,185)	\$ 0.20
Expired (b)	(223,370)	\$ 0.20
Outstanding, December 31, 2016 & 2017	347,185	\$ 0.20

The Company had the following stock options outstanding as of December 31, 2017:

Number of Options	Exercisable	Exercise Price	Expiry Date
347,185	347,185	\$0.20	August 20, 2024

- (a) On April 26, 2016 the Company amended the stock options granted on August 20, 2014 to a director of the company to purchase up to 186,685 Common Shares at a purchase price of \$0.20 per Common Share instead of 212,870 Common Shares at a purchase price of \$0.20
- (b) On August 20, 2016, 223,370 agent options expired unexercised.

7. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

During the years ended December 31, 2017 and 2016 there was no compensation to key management personnel.

During the period ended December 31, 2017, the Company incurred \$51,910 (2016 - \$126,769) in legal and agent fees to a law firm where a director of the Company was a partner. As at December 31, 2017, \$2,381 (2016 - nil) was payable to the firm.

8. 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 shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, 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 ongoing operations and 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 Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in Note 4.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and accrued liabilities, approximate fair values 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.

As at December 31, 2017, the Company has accounts payable and accrued liabilities of \$12,337 (2016 - \$9,311) due within 12 months and has cash of \$3,774 (2016 - \$87,614), subject to restrictions (Note 4), to meet its current obligations. As a result the Company has significant liquidity risk.

9. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in these financial statements:

	2017	2016
Loss before income taxes	\$ (86,866)	\$ (186,891)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(23,019)	(49,526)
Change in deferred tax assets not recognized	23,019	49,526
Income tax expense	\$ -	\$ -

Cluny Capital Corp.
(A Capital Pool Company)
Notes to Financial Statements
(in Canadian dollars)
December 31, 2017 and 2016

9. INCOME TAXES (Cont'd)

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2017	2016
Loss carryforward	\$ 154,696	\$ 125,968
Share issuance costs	5,709	11,418
	160,405	137,386
Less: Deferred tax asset not recognized	(160,405)	(137,386)
Deferred income tax assets	\$ -	\$ -

(c) Non-Capital Losses

The Company has non-capital losses of approximately \$582,000 to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2033	\$ 108,000
2034	58,000
2035	100,000
2036	208,000
2037	108,000
	\$ 582,000

The potential tax benefit relating to these losses has not been reflected in these financial statements.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.