
CLUNY CAPITAL CORP.
(a capital pool company)
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of Cluny Capital Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

Cluny Capital Corp.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets		
Funds in trust (note 3)	\$ 162,078	\$ 202,043
Total assets	\$ 162,078	\$ 202,043
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,681	\$ 13,077
Convertible debentures (note 4)	48,309	51,014
Total liabilities	82,990	64,091
Equity		
Share capital (note 5)	740,322	740,322
Stock Option Reserves	119,210	119,210
Contributed surplus	55,992	44,146
Deficit	(836,436)	(765,726)
Total equity	79,088	137,952
Total liabilities and equity	\$ 162,078	\$ 202,043

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these statements.

Cluny Capital Corp.**Condensed Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Interest revenue	\$ -	\$ -	\$ -	\$ 2
Expenses				
Professional fees	33,745	24,719	51,038	66,595
Listing fees	2,736	3,184	7,996	6,360
Stock based compensation (note 6)	-	-	-	41,684
Accretion	3,655	4,971	9,141	6,170
Investigation costs	-	-	-	56,500
Interest expense	1,077	851	2,535	1,077
	41,213	33,725	70,710	178,386
Net loss and comprehensive loss for the period	\$ (41,213)	\$ (33,725)	\$ (70,710)	\$ (178,384)
Basic and diluted net loss for the period (note 7)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding	6,933,700	6,933,700	6,933,700	4,265,202

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these statements.

Cluny Capital Corp.**Condensed Interim Statements of Changes in Equity****Nine months ended September 30, 2019 and September 30, 2018****(Expressed in Canadian Dollars)****(Unaudited)**

	<u>Share Capital</u>		<u>Stock Option</u>	<u>Contributed</u>	<u>Accumulated</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Reserves</u>	<u>Surplus</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2017	3,233,700	\$ 456,722	\$ 84,839	\$ 32,300	\$ (582,424)	\$ (8,563)
Private placement (note 5(b))	6,000,000	300,000	-	-	-	300,000
Cost of issue	-	(16,400)	-	-	-	(16,400)
Stock based compensation (note 6)	-	-	41,684	-	-	41,684
Equity component of convertible debenture (note 4)	-	-	-	21,940	-	21,940
Net loss and comprehensive loss for the period	-	-	-	-	(178,384)	(178,384)
Balance, September 30, 2018	9,233,700	\$ 740,322	\$ 126,523	\$ 54,240	\$ (760,808)	\$ 160,277

	<u>Share Capital</u>		<u>Stock Option</u>	<u>Contributed</u>	<u>Accumulated</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Reserves</u>	<u>Surplus</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2018	9,233,700	\$ 740,322	\$ 119,210	\$ 44,146	\$ (765,726)	\$ 137,952
Equity component of convertible debenture (note 4)	-	-	-	11,846	-	11,846
Net loss and comprehensive loss for the period	-	-	-	-	(70,710)	(70,710)
Balance, September 30, 2019	9,233,700	\$ 740,322	\$ 119,210	\$ 55,992	\$ (836,436)	\$ 79,088

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these statements.

Cluny Capital Corp.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Nine months ended September 30,	2019	2018
Operating activities		
Net loss for the period	\$ (70,710)	\$ (178,384)
Stock based compensation (note 6)	-	41,684
Accretion	9,141	6,170
Issuance of convertible debenture (note 4)	-	56,500
Non-cash working capital items:		
Accounts payable and accrued liabilities	21,604	14,844
Net cash used in operating activities	(39,965)	(59,186)
Financing activities		
Issuance of common shares (note 5)	-	300,000
Share issue costs	-	(16,400)
Net cash provided by financing activities	-	283,600
Net change in cash	(39,965)	224,414
Cash, beginning of period	202,043	3,774
Cash, end of period	\$ 162,078	\$ 228,188

The accompanying notes to the unaudited condensed interim financial statements are an integral part of these statements.

Cluny Capital Corp.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

1. Business of the Company 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 in Policy 2.4 Capital Pool Companies ("**Policy 2.4**") of the TSX Venture Exchange Inc. (the "**Exchange**"). The Company has no significant assets. The Company proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction (as such term is defined in Policy 2.4).

Effective March 13, 2017, the Company was transferred to the NEX trading board of the 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 have been cancelled. The trading symbol for the Company was changed from CLN.P to CLN.H.

The registered office of the Company is located at 1 First Canadian Place, 100 King Street West, Suite 6000, Toronto, Ontario M5X 1G5.

On November 21, 2019, the directors of the Company approved the unaudited condensed interim financial statements for the periods ended September 30, 2019 and 2018.

These unaudited condensed interim 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 nine months ended September 30, 2019, the Company reported a net loss of \$70,710 (nine months ended September 30, 2018 - \$178,384), used net cash in operating activities of \$39,965 (nine months ended September 30, 2018 - \$59,186) and has an ending cash balance of \$162,078 (December 31, 2018 - \$202,043). 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 might cause significant doubt regarding the going concern assumption.

These unaudited condensed interim 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 unaudited condensed interim financial statements. Such adjustments could be material.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim financial statements present the Company's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as at and for the three and nine months ended September 30, 2019, including 2018 comparatives. As a result, they have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board.

These unaudited condensed interim financial statements should be read in conjunction with the Company's 2018 annual audited financial statements prepared in accordance with IFRS.

The accounting policies adopted in these unaudited condensed interim financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2018, except for the accounting standards implemented below.

Cluny Capital Corp.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)
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2. Basis of presentation (continued)

Adoption of new accounting policy

IFRS 16, Leases

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. The Company has determined that this standard did not have a material impact on its financial statements.

3. 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. The Company has exceeded this limit. The impact of this violation, if any, is unknown and is ultimately dependent on the Exchange.

4. Convertible debentures

On June 6, 2018, the Company completed securities for debt transactions with two arm's length service providers. Pursuant to the transactions the Company issued an aggregate of \$56,500 of unsecured convertible debentures in satisfaction of \$56,500 of indebtedness. The convertible debentures, which matured on June 6, 2019 and accrued interest at 6% per annum and the principal amount is automatically convertible into an aggregate of 941,666 common shares of the Company at a deemed price of \$0.06 per share concurrent with the closing of a Qualifying Transaction. The Company determined to satisfy the indebtedness with convertible debentures in order to preserve its cash for use on working capital and the identification and evaluation of a Qualifying Transaction. The convertible debentures issued in satisfaction of the indebtedness are subject to a four month hold period from the date of issuance.

The convertible debentures that matured on June 6, 2019 were separated into its liability component of \$44,654 and equity component of \$11,846 using the effective interest rate method with an effective interest rate of 25% per annum.

Cluny Capital Corp.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)
(Unaudited)

4. Convertible debentures (continued)

2019 Agreement

Effective June 6, 2019, the convertible debentures were amended by extending the maturity date from June 6, 2019 to June 6, 2020. As a result, the Company extinguished these two convertible debentures when they matured on June 6, 2019 and treated them as two new convertible debentures with a maturity date of June 6, 2020. The Company calculated the fair value of the conversion feature and re-allocated the convertible debentures into two components, with the debentures carried at amortized cost, and the conversion feature carried at fair value. The convertible debentures that mature on June 6, 2020 were separated into its liability component of \$44,654 and equity component of \$11,846 using the effective interest rate method with an effective interest rate of 25% per annum.

During the nine months ended September 30, 2019, the Company recorded an accretion expense of \$9,141 (nine months ended September 30, 2018 - \$6,170) and an interest expense of \$2,535 (nine months ended September 30, 2018 - \$1,077).

During the three months ended September 30, 2019, the Company recorded an accretion expense of \$3,655 (three months ended September 30, 2018 - \$4,971) and an interest expense of \$1,077 (three months ended September 30, 2018 - \$851).

5. Share capital

a) Authorized share capital

Authorized unlimited common shares

b) Common shares issued

	Number of Common Shares	Amount (\$)
Balance, December 31, 2017	3,233,700	456,722
Private placement	6,000,000	300,000
Cost of issue	-	(16,400)
Balance, September 30, 2018	9,233,700	740,322
Balance, December 31, 2018 and September 30, 2019	9,233,700	740,322

On June 6, 2018, the Company closed a non-brokered private placement for aggregate gross proceeds of \$300,000 through the issuance of 6,000,000 common shares at a price of \$0.05 per share. All shares issued pursuant to the financing are subject to a four month hold period from the date of issuance. The net proceeds will be used by the Company for working capital and the identification and evaluation of a Qualifying Transaction. In connection with the private placement the Company paid finder's fees of an aggregate of \$16,400. The Company received subscriptions from its four new officers and directors for an aggregate amount of \$25,000 for 500,000 common shares. In addition, in accordance with Policy 2.4, 1,300,000 common shares acquired by Non-Arm's Length Parties (as such term is defined by the Exchange) have been placed in escrow pursuant to an Exchange Form 2F *Escrow Agreement*.

As of September 30, 2019, there are 2,300,000 (December 31, 2018 - 2,300,000) 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.

Notes to Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options

The Company issued stock options to acquire common shares as follows:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	347,185	0.20
Forfeited ⁽¹⁾	(347,185)	0.20
Granted ⁽¹⁾⁽²⁾	773,370	0.06
Balance, September 30, 2018	773,370	0.06
Balance, December 31, 2018 and September 30, 2019	773,370	0.06

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
May 23, 2028	0.06	8.65	323,370	323,370	-
June 6, 2028	0.06	8.69	450,000	450,000	-
	0.06	8.67	773,370	773,370	-

⁽¹⁾ On May 23, 2018, the Company granted 323,370 stock options to new officers and directors of the Company at an exercise price of \$0.06 per common share expiring on May 23, 2028. These options vested immediately. The fair value of these stock options was estimated to be \$14,377 at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions: share price - \$0.05; expected dividend yield - nil; risk free interest rate - 2.37%; expected life - 10.0 years; and expected volatility - 100%.

Upon resignation all of the stock options held by the departing officers and directors were cancelled.

⁽²⁾ On June 6, 2018, the Company granted 450,000 stock options to new officers and directors of the Company at an exercise price of \$0.06 per common share expiring on June 6, 2028. These options vested immediately. The fair value of these stock options was estimated to be \$19,994 at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions: share price - \$0.05; expected dividend yield - nil; risk free interest rate - 2.26%; expected life - 10.0 years; and expected volatility - 100%.

7. Net loss per share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2019 was based on the loss attributable to common shareholders of \$41,213 and \$70,710, respectively (three and nine months ended September 30, 2018 - loss of \$33,725 and \$178,384, respectively) and the weighted average number of common shares outstanding of 6,933,700 and 6,933,700, respectively (three and nine months ended September 30, 2018 - 6,933,700 and 4,265,202, respectively).

Diluted loss per share did not include the effect of 773,370 stock options (September 30, 2018 - 773,370) as they are anti-dilutive.

Cluny Capital Corp.

Notes to Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

8. Related party transactions

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

During the three and nine months ended September 30, 2019, nil (three and nine months ended September 30, 2018 - nil and 773,370, respectively) stock options were granted to directors and officers which were valued at \$nil (three and nine months ended September 30, 2018 - \$nil and \$41,684, respectively). There was no further compensation to key management personnel. See note 6 for details.

During the three and nine months ended September 30, 2019, the Company incurred \$nil (three and nine months ended September 30, 2018 - \$nil and \$10,692, respectively) in legal and agent fees to a law firm where a former director (Peter Simeon) of the Company was a partner. As at September 30, 2019, \$nil (December 31, 2018 - \$nil) was payable to the firm.

During the three and nine months ended September 30, 2019, the Company incurred \$25,877 and \$34,980, respectively (three and nine months ended September 30, 2018 - \$15,923 and \$44,708, respectively) in legal fees, disbursements and harmonized sales tax to a law firm where an officer (Robbie Grossman) of the Company is a partner. As at September 30, 2019, \$20,344 (December 31, 2018 - \$145) was payable to the firm, in respect of legal fees, disbursements and harmonized sales tax.

The Company received subscriptions from related parties for an aggregate amount of \$65,000 for 1,300,000 common shares (note 5(b)).

9. Proposed Transaction

On August 19, 2019, the Company entered into a letter of intent with Xebra Brands Ltd. ("Xebra") for the proposed combination of the businesses of the two companies (the "Proposed Transaction"). The Proposed Transaction is intended to constitute the Company's Qualifying Transaction and would result in a reverse take-over of the Company by Xebra.