

**Trusted Brand 2016 Inc.**  
**(A Capital Pool Company)**

**Financial Statements**

*For the period from incorporation (March 4, 2016) to December 31, 2016*  
*(Expressed in Canadian dollars)*

## Independent Auditors' Report

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To the Shareholders of Trusted Brand 2016 Inc.

We have audited the accompanying financial statements of Trusted Brand 2016 Inc., which comprise the statement of financial position as at December 31, 2016, the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation (March 4, 2016) to December 31, 2016, and notes, comprising 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audit 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 Trusted Brand 2016 Inc. as at December 31, 2016, and its financial performance and its cash flows for the period from incorporation (March 4, 2016) to December 31, 2016 in accordance with International Financial Reporting Standards.

Calgary, Alberta  
April 28, 2017

*MNP* LLP  
Chartered Professional Accountants

**Trusted Brand 2016 Inc.**  
**Statement of Financial Position**  
*As at December 31, 2016*

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**Assets**

**Current**

|                        |                   |
|------------------------|-------------------|
| Cash in trust (Note 5) | \$ 514,290        |
|                        | <b>\$ 514,290</b> |

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**Liabilities**

**Current**

|  |           |
|--|-----------|
| Accounts payable and accrued liabilities | \$ 39,750 |
|--|-----------|

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**Shareholders' Equity**

|                              |                   |
|------------------------------|-------------------|
| Share capital (Note 6)       | \$ 557,986        |
| Contributed surplus (Note 6) | 118,557           |
| Deficit                      | (202,003)         |
|                              | <b>\$ 474,540</b> |
|                              | <b>\$ 514,290</b> |

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Nature of operations (Note 1)

Subsequent event (Note 10)

**Approved on behalf of the Board**

(Signed) "Karen Stewart"  
Director

(Signed) "Dave Antony"  
Director

**Trusted Brand 2016 Inc.**  
**Statement of Loss and Comprehensive Loss**  
*For the period from incorporation (March 4, 2016) to December 31, 2016*

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|   |           |                  |
|---|-----------|------------------|
| <b>Expenses</b>   |           |                  |
| Regulatory and filing fees  | \$        | 16,390           |
| General and administrative expenses                               |           | 2,604            |
| Professional fees   |           | 94,350           |
| Share-based compensation ( <i>Note 6</i> )                        |           | 88,659           |
| <b>Total expenses</b>   | <b>\$</b> | <b>202,003</b>   |
| <b>Loss and comprehensive loss</b>                                | <b>\$</b> | <b>(202,003)</b> |
| <b>Basic loss per share (<i>Note 6</i>)</b>                       | <b>\$</b> | <b>(1.04)</b>    |
| <b>Weighted average common shares outstanding (<i>Note 6</i>)</b> |           | <b>193,890</b>   |

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*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statement of Changes in Shareholders' Equity**  
*For the period from incorporation (March 4, 2016) to December 31, 2016*

|                                 | Common<br>Shares<br>(#) | Share<br>Capital<br>(\$) | Contributed<br>Surplus<br>(\$) | Deficit<br>(\$)  | Shareholders'<br>Equity<br>(\$) |
|---------------------------------|-------------------------|--------------------------|--------------------------------|------------------|---------------------------------|
| As at March 4, 2016             | -                       | -                        | -                              | -                | -                               |
| Share issuance (Note 6)         | 3,962,900               | 780,725                  | -                              | -                | 780,725                         |
| Share issuance costs (Note 6)   | -                       | (222,739)                | -                              | -                | (222,739)                       |
| Options issued (Note 6)         | -                       | -                        | 118,557                        | -                | 118,557                         |
| Net loss and comprehensive loss | -                       | -                        | -                              | (202,003)        | (202,003)                       |
| <b>As at December 31, 2016</b>  | <b>3,962,900</b>        | <b>557,986</b>           | <b>118,557</b>                 | <b>(202,003)</b> | <b>474,540</b>                  |

*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statement of Cash Flows**

*For the period from incorporation (March 4, 2016) to December 31, 2016*

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***Cash provided by (used by) the following activities***

**Operating Activities**

|  |    |           |
|--|----|-----------|
| Net loss and comprehensive loss          | \$ | (202,003) |
| Share-based compensation (Note 6)        |    | 88,659    |
| Add back items not involving cash:       |    |           |
| Accounts payable and accrued liabilities |    | 39,750    |
| Cash used in operating activities        | \$ | (73,594)  |

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**Financing Activities**

|   |           |                |
|---|-----------|----------------|
| Issuance of common shares, net of share issuance costs (Note 6) | \$        | 587,884        |
| Cash provided by financing activities                           |           | 587,884        |
| <b>Increase in cash resources</b>                               | <b>\$</b> | <b>514,290</b> |
| <b>Cash resources, beginning of period</b>                      |           | <b>-</b>       |
| <b>Cash resources, end of period</b>                            | <b>\$</b> | <b>514,290</b> |

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*The accompanying notes are an integral part of these financial statements*

# Trusted Brand 2016 Inc.

## Notes to the Financial Statements

For the period from incorporation (March 4, 2016) to September 30, 2016

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### 1. Incorporation and operations

Trusted Brand 2016 Inc. (the "Company") was incorporated under the laws of Alberta on March 4, 2016. The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange policies. The address of the registered office is Third Floor, 14505 Bannister Road S.E., Calgary, Alberta, T2X 3J3.

The financial statements of the Company for the period ended December 31, 2016 were authorized for issue in accordance with a resolution of the directors on April 28, 2017.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

### 2. Basis of preparation

#### ***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 issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on January 1, 2016.

#### ***Basis of measurement***

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention, except for certain cash flow information and share-based compensation.

### 3. Significant accounting policies

#### ***Cash in trust***

Cash consists of the proceeds generated on the issuance of common shares, which is being held in trust by legal counsel for the Company.

#### ***Use of estimates and judgments***

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the period from incorporation (March 4, 2016) to September 30, 2016*

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**3. Significant accounting policies (continued)**

***Functional and presentation currency***

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

***Share-based payments***

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

***Taxes***

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

***Current tax***

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred tax***

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

***Non-derivative financial instruments***

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

**3. Significant accounting policies (continued)**

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

***Financial assets at fair value through profit or loss***

An instrument is classified as fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash in trust is included in this category.

***Other financial liabilities***

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's other financial liabilities are comprised of accounts payable and accrued liabilities.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

***Impairment of financial assets***

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

***Earnings/loss per share***

Basic earnings or loss per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted earnings or loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units.

Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares.

**3. Significant accounting policies (continued)**

***Recent accounting pronouncements***

*Pronouncements not yet adopted*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

- The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. These amendments will be applied by the Company on January 1, 2018. The Company is currently assessing and quantifying the effect on its financial statements.
- IFRS 15, "Revenue from Contracts with Customers". In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has assessed that there will be no significant impact on its financial statements from the implementation of this standard.
- IFRS 16, "Leases". In January 2016, the IASB issued IFRS 16, which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". The Company is currently assessing and quantifying the effect on its financial statements.

**4. Significant accounting estimates and assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

***Estimates***

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

*Fair value of financial instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the period from incorporation (March 4, 2016) to September 30, 2016*

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**4. Significant accounting estimates and assumptions** *(continued)*

*Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Judgements***

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

*Taxes*

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable

*Financial instruments*

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

**5. Cash in trust**

The proceeds raised from the issuance of share capital 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 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 may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

**6. Share capital**

*Authorized*

Unlimited number of Common Shares and Preferred Shares

| <b>Issued Common Shares</b>            | <b>Number of<br/>Shares</b> | <b>\$</b>        |
|--|-----------------------------|------------------|
| At incorporation – March 4, 2016       | -                           | -                |
| Issuance of common shares (i)          | <b>1,680,000</b>            | <b>210,000</b>   |
| Issuance of common shares (ii)         | <b>2,282,900</b>            | <b>570,725</b>   |
| Share issuance costs (ii)              | -                           | <b>(222,739)</b> |
| <b>Balance as at December 31, 2016</b> | <b>3,962,900</b>            | <b>557,986</b>   |

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**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the period from incorporation (March 4, 2016) to September 30, 2016*

**6. Share capital (continued)**

- i) The Company issued 1,680,000 Common Shares of the Company at a price of \$0.125 per share for gross proceeds of \$210,000. All 1,680,000 Common Shares are subject to an escrow agreement.
- ii) The Company issued 2,282,900 common shares at a price of \$0.25 per common share for gross proceeds of \$570,725 related to the Company's Initial Public Offering ("IPO"). The Company incurred share issuance costs of \$192,841 plus \$29,898 of agent options which have been applied against share capital.

**Escrow**

The Company has issued 1,680,000 Common Shares subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval by the Exchange of the Company's Qualifying Transaction. An additional 15% of the escrowed Common Shares will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a Qualifying Transaction.

**Stock options**

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

The following table summarizes information about stock options outstanding:

|                                      | <b>Number of<br/>options<br/>(#)</b> | <b>Weighted average<br/>remaining<br/>contractual life<br/>(years)</b> | <b>Weighted<br/>average<br/>exercise price<br/>(\$)</b> |
|--------------------------------------|--------------------------------------|--|---|
| At incorporation                     | -                                    |  | -   |
| Issued to directors and officers (i) | 396,290                              | 9.9  | 0.25  |
| Issued to agent (i)                  | 228,290                              | 1.9  | 0.25  |
| <b>As at December 31, 2016</b>       | <b>624,580</b>                       | <b>7.0</b>   | <b>0.25</b>   |

- (i) As part of the IPO, the Company granted 396,290 options at \$0.25 per share to the directors and officers of the Company exercisable for a period of ten years. The fair value of the directors and officer options is \$88,659. The Company also granted 228,290 options to the agent at \$0.25 per share exercisable for a period of two years. The fair value of the agent options is \$29,898 and has been included in share issuance costs. At December 31, 2016, 624,580 options are exercisable.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the period from incorporation (March 4, 2016) to September 30, 2016*

**6. Share capital (continued)**

The Black-Scholes option pricing model was used to estimate the fair value of options on the date of grant using the following assumptions:

|                               | Expiry<br>(year) | Risk-free<br>interest<br>rate<br>(%) | Expected<br>life<br>(years) | Expected<br>dividend<br>yield<br>(%) | Expected<br>volatility<br>(%) | Forfeiture<br>Rate<br>(%) |
|-------------------------------|------------------|--------------------------------------|-----------------------------|--------------------------------------|-------------------------------|---------------------------|
| <b>Directors and officers</b> | <b>2026</b>      | <b>1.58</b>                          | <b>10</b>                   | <b>0.0</b>                           | <b>100</b>                    | <b>0.0</b>                |
| <b>Agent</b>                  | <b>2018</b>      | <b>0.70</b>                          | <b>2</b>                    | <b>0.0</b>                           | <b>100</b>                    | <b>0.0</b>                |

**7. Capital disclosures**

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end.

**8. Financial instruments**

The Company, as part of its operations, carries financial instruments consisting of cash in trust and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash in trust is determined on level 1 inputs. The carrying amount of cash in trust and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the period from incorporation (March 4, 2016) to September 30, 2016*

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**8. Financial instruments**

**Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributed to cash. Cash balances are held with the Company's lawyers in trust, from which management believes the risk of loss to be remote.

**Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had cash in trust balance of \$514,290 to settle future obligations of \$39,750. All the Company's financial liabilities have contractual maturities of 30 days and are due on demand and are subject to normal track terms.

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- i. Interest rate risk  
The Company has cash balances and no interest-bearing debt.
- ii. Foreign currency risk  
The Company does not have assets or liabilities in foreign currency.
- iii. Commodity risk  
The Company is not exposed to commodity price risk.

**9. Taxes**

The net income tax provision differs from that expected by applying the Canadian corporate rate due to the following:

|                            | <b>2016</b>      |
|----------------------------|------------------|
| Loss before income tax     | <b>(202,003)</b> |
| Statutory tax rate         | <b>27%</b>       |
| Expected tax recovery      | <b>(54,541)</b>  |
| Share issuance costs       | <b>(52,067)</b>  |
| Share-based payments       | <b>23,938</b>    |
| Tax benefit not recognized | <b>82,670</b>    |
| Income tax expense         | <b>-</b>         |

The Company has gross temporary differences of the following:

|   | <b>2016</b>    |
|---|----------------|
| Share issuance costs                          | <b>160,930</b> |
| Loss carry-forwards                           | <b>145,255</b> |
| Unrecognized deductible temporary differences | <b>306,185</b> |

As at December 31, 2016, the Company has non-capital loss carry-forwards of \$145,255 available to reduce future years' income for tax purposes. These losses, if not fully utilized, will expire in 2036.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the period from incorporation (March 4, 2016) to September 30, 2016*

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**10. Subsequent event**

On January 30, 2017, a letter of intent was signed between Trusted Brand 2016 Inc. and 1367790 Alberta Ltd. and 2186774 Ontario Inc. (together, the "Holmes Services Companies") to acquire the Holmes Services Companies that would serve as the Company's Qualifying Transaction (the "Transaction"). The proposed Transaction is expected to be structured as an arm's length business combination that will result in the Company acquiring all of the issued and outstanding shares of the Holmes Services Companies in exchange for 30,000,000 common shares of the Company. In conjunction with the completion of the Transaction, the Company will complete a private placement of up to 12,500,000 common shares with gross proceeds of approximately \$5,000,000, at a price of \$0.40 per common share.

The completion of the Transaction is subject to various approvals including TSXV, Board of Directors of both the Company and Holmes Services Companies and if applicable the shareholders of the Company and the Holmes Services Companies.