

Focused Capital II Corp.
(A Capital Pool Company)
Financial Statements
June 30, 2017 and 2016

Focused Capital II Corp.
(A Capital Pool Company)

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June 30, 2017 and 2016

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Independent Auditors' Report

To the Shareholders of Focused Capital II Corp.:

We have audited the accompanying financial statements of Focused Capital II Corp., which comprise the statements of financial position as at June 30, 2017 and June 30, 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.

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 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 Focused Capital II Corp. as at June 30, 2017 and June 30, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario
September 5, 2017

Chartered Professional Accountants
Licensed Public Accountants

Focused Capital II Corp.
(A Capital Pool Company)

Statements of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 423,122	\$ 478,466
Prepays and other assets	1,413	1,413
	<u>\$ 424,535</u>	<u>\$ 479,879</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,658	\$ 9,733
	<u>\$ 9,658</u>	<u>\$ 9,733</u>
Shareholders' equity		
Share capital (note 3)	643,779	643,779
Contributed surplus	125,001	125,001
Deficit	(353,903)	(298,634)
	<u>414,877</u>	<u>470,146</u>
	<u>\$ 424,535</u>	<u>\$ 479,879</u>

Business of the Company (note 1)

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

Approved by the Board

Signed: "Mark Goodman" _____

Signed: "Robert Leckie" _____

Focused Capital II Corp.
(A Capital Pool Company)

Statements of Comprehensive Loss
for the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Expenses		
General and administrative (<i>note 7</i>)	\$ 26,517	\$ 30,994
Investigation costs	28,752	-
Net loss for the year	<u>(55,269)</u>	<u>(30,944)</u>
Total comprehensive loss for the year	<u>\$ (55,269)</u>	<u>\$ (30,944)</u>
Comprehensive loss per share - basic and diluted (<i>note 6</i>)	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding	<u>1,250,000</u>	<u>1,250,000</u>

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

Focused Capital II Corp.
(A Capital Pool Company)

Statements of Changes in Equity
for the years ended June 30, 2017 and 2016

	<u>Share Capital</u>		Contributed Surplus	<u>Equity</u>		Total
	Number of Shares	Amount		Deficit		
Balance, June 30, 2015	5,000,000	\$ 643,779	\$ 125,001	\$ (267,640)	\$ 501,140	
Total comprehensive loss	-	-	-	(30,994)	(30,994)	
Balance, June 30, 2016	5,000,000	\$ 643,779	\$ 125,001	\$ (298,634)	\$ 470,146	
Total comprehensive loss	-	-	-	(55,269)	(55,269)	
Balance, June 30, 2017	5,000,000	\$ 643,779	\$ 125,001	\$ (353,903)	\$ 414,877	

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

Focused Capital II Corp.
(A Capital Pool Company)

Statements of Cash Flows

for the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flow from operating activities		
Net loss for the year	\$ (55,269)	\$ (30,944)
Net change in non-cash working capital		
Prepays and other assets	-	-
Accounts payable and accrued liabilities	(75)	755
	<u>(55,344)</u>	<u>(30,239)</u>
Decrease in cash	(55,344)	(30,239)
Cash, beginning of year	478,466	508,705
Cash, end of year	\$ 423,122	\$ 478,466

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

1. Business of the Company

Focused Capital II Corp. (the "Company") (a Capital Pool Company) was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on July 13, 2011.

The Company is classified as a Capital Pool Company as defined pursuant to Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange (the "Exchange"). The Company's principal purpose is the identification and evaluation of assets or businesses with a view to acquisition or participation therein subject to acceptance by the Exchange and in certain cases shareholders' approval.

On December 31, 2013, the common shares of the Company were suspended from trading on the Exchange for failure to complete a Qualifying Transaction within 24 months from the date of its listing on the Exchange pursuant to Policy 2.4. The Exchange gave the Company until April 2, 2014 (90 days) to complete a Qualifying Transaction or receive the necessary shareholder approvals to transfer to the NEX trading board of the Exchange. On March 26, 2014, the Company received shareholder approval to (i) cancel one-half of its seed shares (being 1,250,000 common shares) purchased by Non-Arm's Length Parties (as such term is defined by the Exchange), and (ii) apply to transfer the listing of the Company's common shares from the Exchange to the NEX trading board of the Exchange. On March 31, 2014, 1,250,000 seed shares held by Non-Arm's Length Parties were cancelled and on April 9, 2014, the Company's listing was transferred to the NEX trading board, and the Company's stock symbol changed from FAV.P to FAV.H.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's head office and registered and records office address is 1 Adelaide Street East, 21st Floor, Toronto, Ontario, Canada M5C 2V9.

These audited annual financial statements were authorized for issue by the Board of Directors on September 5, 2017.

2. Significant Accounting Policies

Basis of presentation

These financial statements are prepared by the Company in accordance with International Financial Reporting Standards ("IFRS"). The policies set out below were consistently applied to all the periods presented unless otherwise noted.

The currency of presentation for these financial statements is the Canadian dollar.

2. Significant Accounting Policies - continued

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired principally for the purpose of being resold in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

2. Significant Accounting Policies - continued

Financial instruments - continued

Financial assets - continued

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment 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 statement of comprehensive loss.

Available-for-sale - 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 statement of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

The Company has classified its cash as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Other financial liabilities - This category includes accounts payables and accrued liabilities which are recognized at amortized cost.

The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 – Inputs for assets or liabilities that are not based on observable market data.

As of June 30, 2017 and 2016, there are no amounts measured at fair value. The carrying value of cash approximates its fair value.

Notes to Financial Statements
June 30, 2017 and June 30, 2016

2. Significant Accounting Policies - continued

Accounting standards issued but not yet applied

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the financial statements.

3. Share Capital

Authorized

Unlimited Common shares

Issued

	Number of Common Shares	Amount
Balance June 30, 2017 and 2016	5,000,000	\$ 643,779

As at June 30, 2017, three shareholders each held more than 10% of the Company's common shares.

(i) Private Placements October 2011

On October 10 and 13, 2011, the Company issued 5,000,000 seed common shares at a price of \$0.10 per share for gross proceeds of \$500,000 with share issuance costs of \$2,611. 1,250,000 of these seed common shares were cancelled on March 26, 2014.

The remaining 3,750,000 seed common shares are subject to an Exchange Form 2F CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed common shares will be released from escrow upon completion of a Qualifying Transaction by the Company and 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. However, the release of the escrowed shares will be accelerated if the Company meets the Exchange Tier 1 initial listing requirements.

(ii) Initial Public Offering December 2011

On December 20, 2011 the Company completed its initial public offering ("IPO") by issuing 1,250,000 common shares at a price of \$0.20 per common share by way of a prospectus pursuant to the policies of the Exchange governing Capital Pool Companies. The common shares were listed and posted for trading on the Exchange under the trading symbol "FAV.P" at the opening of the market on December 28, 2011. The proceeds of the IPO will be used to identify and evaluate assets or businesses for acquisition with a view to completing a Qualifying Transaction. In connection with the IPO the Company paid cumulative costs of \$90,485. The agent was also granted non-transferable broker warrants to purchase 125,000 common shares at a price of \$0.20 per common share,

3. Share Capital - continued

(ii) Initial Public Offering December 2011 - continued

exercisable until December 28, 2013 (24 months from the date of listing of the common shares on the Exchange).

The fair value of each broker warrant granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.90%; and (iv) expected life of 2.0 years. The fair market value was determined to be \$13,125 and was charged against share issue costs. These warrants expired in December of 2013.

4. Stock Options

The policies of the Exchange and the stock option plan of the Company established by the directors of the Company on October 17, 2011, provide 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, consultants and employees of 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 total issued and outstanding common shares of the Company, exercisable for a period of up to ten (10) years from the date of the grant.

On December 20, 2011, the Company granted options to its four directors to purchase 625,000 common shares. The options are exercisable at \$0.20 per share and expire on December 20, 2021. The options vest as to one-half on the date of grant and one-half after the first anniversary of the date of grant. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 1.93%; and (iv) expected life of 10 years. The fair market value was determined to be \$111,876. For the year ended June 30, 2013 and for the period from July 13, 2011 to June 30, 2012, \$26,440 and \$85,436, respectively, was charged against salaries and benefits. The Company has assumed no forfeiture rate. The weighted average grant date fair value of the options issued is \$0.179 per option.

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

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2016	625,000	\$ 0.20
Expired/forfeited	(175,000)	\$ 0.20
Balance, June 30, 2017	450,000	\$ 0.20

Notes to Financial Statements
June 30, 2017 and June 30, 2016

4. Stock Options - continued

The following table reflects the actual stock options issued and outstanding as of June 30, 2017 :

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Fair Value	Weighted Average Remaining Years
December 20, 2021	\$ 0.20	450,000	450,000	\$ 111,876	4.48

5. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended June 30, 2016 and 2015 is as follows:

	Year ended June 30, 2017	Year ended June 30, 2016
Net loss for the year	\$ (55,269)	\$ (30,994)
Expected income tax recovery	\$ (14,646)	\$ (8,213)
Change in tax benefits not recognized	14,646	8,213
Income tax recovery	\$ -	\$ -

Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	June 30, 2017	June 30, 2016
Non-capital losses carried forward	\$ 315,943	\$ 260,674

Notes to Financial Statements
June 30, 2017 and June 30, 2016

5. Income Taxes - continued

Unrecognized deferred tax assets - continued

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Canadian non-capital losses carried forward expire as follows:

2032	\$	51,870
2033		71,400
2034		50,110
2035		56,300
2036		30,994
2037		55,269
	\$	315,943

6. Net Loss Per Share

The calculation of basic and diluted loss per share was based on the loss attributable to common shareholders of \$55,269 (2016 - \$30,994) and the weighted average number of common shares outstanding of 1,250,000 (2016 - 1,250,000).

Diluted loss per share did not include the effect of 450,000 stock options as they are anti-dilutive.

The seed common shares are considered contingently returnable until the Company completes a Qualifying Transaction and accordingly, they are not considered to be outstanding shares for the purposes of loss per share calculations.

7. General and Administrative

	Year ended June 30, 2017	Year ended June 30, 2016
Administrative	\$ 2,098	\$ 1,731
Professional fees and disbursements	14,494	12,704
Transfer agent, listing and filing fees	9,925	16,559
	\$ 26,517	\$ 30,994

8. Financial Instruments

Fair Values

At June 30, 2017 and 2016 the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments. The Company classifies its cash as loans and receivables and its account payable and accrued liabilities as other financial liabilities.

Credit Risk

The Company is not exposed to any significant credit risk.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

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.

9. Capital Management

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

Pursuant to the policies of the Exchange, the proceeds raised from the issuance of common shares 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 or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company not related to the identification and evaluation of a Qualifying Transaction. These restrictions apply until completion of the Qualifying Transaction by the Company as defined under the policies of the Exchange.