

## **Orletto Capital II Inc.**

Interim Condensed Financial Statements  
For the nine-month period ended  
September 30, 2019

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED  
SEPTEMBER 30, 2019**

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**Statements regarding the interim condensed financial statements**

Management has prepared the accompanying interim condensed financial statements of Orletto Capital II Inc. which include the interim condensed statement of financial position as at September 30, 2019, and the interim condensed statements of net income and comprehensive income, changes in equity and cash flows for the nine-month period then ended. No audit firm has examined or audited these interim condensed financial statements.

## Orletto Capital II Inc.

### INTERIM CONDENSED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the period of

"Unaudited"

	Nine months ended September 30, 2019	216 days ended September 30, 2018	Three months ended September 30, 2019	Three months ended September 30, 2018
REVENUE	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
Listing and maintenance expenses	8,436	6,622	1,495	730
Professional fees	52,152	14,971	16,339	12,471
Stock-based compensation	-	49,782	-	49,782
	<b>60,588</b>	71,375	<b>17,834</b>	62,983
NET LOSS AND COMPREHENSIVE INCOME	\$ (60,588)	\$ (71,375)	\$ (17,834)	\$ (62,983)
Net income per share (Note 8)				
Net loss, basic and diluted	\$ (0.009)	\$ (0.019)	\$ (0.003)	\$ (0.013)
Weighted average number of common shares outstanding	6,800,000	3,794,709	6,800,000	4,843,478

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

# Orletto Capital II Inc.

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period of

“Unaudited”

	Nine months ended September 30, 2019						
	Number			Amount			
	Common shares	Stock options	Total	Share capital	Stock options	Deficit	Total
<b>BALANCE</b> , as at December 31, 2018	<b>6,800,000</b>	<b>1,080,000</b>	<b>7,880,000</b>	<b>\$ 377,343</b>	<b>\$ 70,463</b>	<b>\$ (89,222)</b>	<b>\$ 358,584</b>
Reimbursement of share issuance costs (Note 5)	-	-	-	1,426	-	-	1,426
Net loss and comprehensive income of the period	-	-	-	-	-	(60,588)	(60,588)
	-	-	-	1,426	-	(60,588)	(59,162)
<b>BALANCE</b> , as at September 30, 2019	<b>6,800,000</b>	<b>1,080,000</b>	<b>7,880,000</b>	<b>\$ 378,769</b>	<b>\$ 70,463</b>	<b>\$ (149,810)</b>	<b>\$ 299,422</b>

	216 days ended September 30, 2018						
	Number			Amount			
	Common shares	Stock options	Total	Share capital	Stock options	Deficit	Total
<b>BALANCE</b> , as at March 26, 2018	-	-	-	\$ -	\$ -	\$ -	\$ -
Issuance of shares	6,800,000	-	6,800,000	540,000	-	-	540,000
Stock-based compensation	-	680,000	680,000	-	49,782	-	49,782
Share issuance costs	-	-	-	(153,473)	-	-	(153,473)
Cash	-	-	-	(153,473)	-	-	(153,473)
Stock options	-	400,000	400,000	(20,681)	20,681	-	-
Net loss and comprehensive income of the period	-	-	-	-	-	(71,375)	(71,375)
	6,800,000	1,080,000	7,880,000	365,846	70,463	(71,375)	364,934
<b>BALANCE</b> , as at September 30, 2018	<b>6,800,000</b>	<b>1,080,000</b>	<b>7,880,000</b>	<b>\$ 365,846</b>	<b>\$ 70,463</b>	<b>\$ (71,375)</b>	<b>\$ 364,934</b>

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

## Orletto Capital II Inc.

### INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at	September 30, 2019	December 31, 2018
	(unaudited)	(audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash in trust	\$ 309,023	\$ 363,929
Prepaid expenses	1,495	-
	<u>\$ 310,518</u>	<u>\$ 363,929</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,096	\$ 5,345
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	378,769	377,343
Stock options (Note 7)	70,463	70,463
Deficit	<u>(149,810)</u>	<u>(89,222)</u>
	<u>299,422</u>	<u>358,584</u>
	<u>\$ 310,518</u>	<u>\$ 363,929</u>

Statutes of incorporation and nature of activities (Note 1)

On behalf of the Board,

(s) Benoit Chotard \_\_\_\_\_, Director

(s) Octavio Soares \_\_\_\_\_, Director

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

## Orletto Capital II Inc.

### INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period of

Nine months  
ended  
September 30,  
2019

216 days  
ended  
September 30,  
2018

"Unaudited"

#### OPERATING ACTIVITIES

Net loss	\$ (60,588)	\$ (71,375)
Stock-based compensation	-	49,782
Net change in non-cash working capital items	4,256	6,510
	<u>(56,332)</u>	<u>(15,083)</u>

#### FINANCING ACTIVITIES

Issuance of share capital	-	540,000
Reimbursement (payment) of share issuance costs	1,426	(153,473)
	<u>1,426</u>	<u>386,527</u>

#### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(54,906) 371,444

CASH IN TRUST, beginning of period

363,929 -

CASH IN TRUST, end of period

\$ 309,023 \$ 371,444

Cash flows from operating activities do not include any interest paid or received or tax paid.

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

# Orletto Capital II Inc.

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## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

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### 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Company was incorporated on February 27, 2018 under the Canada Business Corporations Act to become a Capital Pool Company listed on the TSX Venture Exchange Inc. (the "Exchange"), according to the provisions of Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual. The Company's shares were admitted to trading on August 15, 2018 under the symbol OLT.P. The Company was inoperative until March 26, 2018.

The address of the Company's registered office is 70, Dalhousie Street, Suite 300, Québec.

The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction under the policies of the Exchange (Note 10). The Company must complete a Qualifying Transaction, which is subject to the approval of the Exchange. In the case of non-arm's length Qualifying Transaction, defined by the Policy 2.4, the Company must also receive Majority of the Minority shareholders' approval, in accordance with the Policy 2.4.

### 2. BASIS OF PREPARATION

#### Statement of compliance

The interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are in conformity with IAS 34.

The accounting policies described below have been applied on a uniform basis in the interim condensed financial statements.

The interim condensed financial statements were authorized for issue by the Board of Directors on November 22, 2019.

#### Basis of measurement

The financial statements of the Company have been prepared on the going concern assumption and on the historical cost basis, except for the financial asset measured at fair value through net income.

#### Presentation and functional currency

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

#### Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

# Orletto Capital II Inc.

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## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

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### 2. BASIS OF PREPARATION (continued)

#### Use of estimates and judgements

Information related to critical judgments in applying accounting policies and estimates that have the most significant impact on the amounts recognized in the financial statements relate to deferred income taxes and fair value of stock options.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Income taxes

The Company provides for income taxes using the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying value and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to be absorbed.

A deferred tax asset must be recognized for any deductible temporary differences to the extent that it is likely that a taxable income, to which these deductible temporary differences can be charged, will be available.

#### Financial assets and financial liabilities

The Company initially accounts for a financial asset or financial liability on the date on which the Company becomes a party of the contractual provisions of the instrument. Financial assets and liabilities are initially recognized at fair value, except for accounts receivable, which are recognized at transaction price.

Financial assets are classified and measured based on the economic model in which the assets are managed and on the characteristics of their cash flows. Their classification is established by the Company on initial recognition. They are classified and measured according to three categories: at amortized cost, at fair value through other comprehensive income or at fair value through net income. Financial liabilities are classified and measured according to two categories: at amortized cost or at fair value through net income.

#### Financial assets at fair value through net income

The Company classifies its cash in trust as a financial asset at fair value through net income. These assets are subsequently measured at fair value, and profits or losses are recognized in net income.

#### Financial liabilities measured at amortized cost

The Company classifies accounts payable as a financial liability measured at amortized cost. A financial liability is subsequently measured at amortized cost according to the effective interest rate method. Interest expenses are recognized in net income. Upon derecognition, all profits or losses are also recognized in net income.

# Orletto Capital II Inc.

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## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value

The fair value of a financial instrument generally corresponds to the consideration for which the instrument would be exchanged in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Financial instruments recorded at fair value are classified according to a hierarchy that reflects the significance of inputs used in determining valuations. This hierarchy includes three levels.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: A valuation based on inputs observable in markets for the asset or liability, obtained either directly or indirectly.
- Level 3: A valuation based on inputs other than inputs observable in markets for the asset or liability.

Cash in trust has been classified at Level 1.

#### Share issuance costs

Costs directly identifiable with the issuance of shares are deferred as an asset until the issuance of the shares. At issuance, these costs are recognized as a reduction of share capital. At reimbursement, these costs are recognized as an increase of share capital. In case of abandonment, these costs are recognized in net income.

#### Stock-based compensation and other stock-based payments

The Company has a stock option plan under which directors, executives, employees and consultants can be granted stock options of the Company. The maximum number of shares that can be issued as options granted under this plan is limited to 10% of the number of shares that will be issued and outstanding at the closing of the initial public offering of the Company. Each option exercise price corresponds to the set price at the time of grant by the Board of Directors. The maximum term of any option is of ten years from the time that it is granted and its vesting is determined at the time of the issuance of stock options.

Each grant is treated separately with its proper vesting period and its own fair value at the grant date, determined by the Black & Scholes option pricing model. Compensation expense is recognized over the vesting period of each grant according to the number of options granted that should be vested, and any impact is immediately recognized. Any consideration paid by the holder on exercise or purchase of stock options is credited to share capital. The value attributed to stock options is transferred to share capital at the issuance of common shares.

In the normal course of business, the Company grants options in exchange for goods or services to parties other than directors, executives or employees. For these transactions, the Company evaluates the goods or services received and the increase in equity, which is the counterpart, directly to the fair value of goods or services received, unless that fair value cannot be reliably estimated. In this case, the fair value is the value of the options issued on the market at the date the goods or services are received.

# Orletto Capital II Inc.

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## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Costs relating to assets or businesses acquisition

All costs incurred to identify and evaluate assets or businesses that may be acquired are recognized as expenses at the time they are incurred.

#### Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid financial instruments, with an initial term of three months or less, when appropriate.

### 4. NEW ACCOUNTING STANDARDS

#### New accounting standard applied

On January 1, 2019, the Company applied the following standard:

#### IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 - Uncertainty over Income Tax Treatments clarifies the application of recognition and measurement requirements in IAS 12 - Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether a company considers each tax treatment independently or collectively, the assumptions a company makes about the examination of tax treatments by taxation authorities, how a company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how a company considers changes in facts and circumstances. This standard did not have any impact on the Company's interim condensed financial statements.

#### New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations are not yet effective and have not been applied in preparing these interim condensed financial statements. None of these is expected to have a significant impact on the financial statements of the Company.

### 5. SHARE CAPITAL

#### Authorized

An unlimited number of common shares, non-cumulative dividend, participating and voting, without par value

	<b>September 30, 2019</b>	December 31, 2018
	<b>(unaudited)</b>	(audited)
<b>Stated and outstanding</b>		
6,800,000 common shares	<b>\$ 378,769</b>	\$ 377,343

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# Orletto Capital II Inc.

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## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

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### 5. SHARE CAPITAL (continued)

On March 26, 2018, the Company issued 2,800,000 common shares at \$0.05 per share for total proceeds of \$140,000 in cash.

On August 15, 2018, the Company issued 4,000,000 common shares at \$0.10 per share for total proceeds of \$400,000 in cash.

A total of 2,800,000 common shares are escrowed pursuant to the terms of a Security Escrow Agreement and will be released in stages over a maximum period of three years from the date of the Final Exchange Bulletin.

### 6. CAPITAL DISCLOSURES

The Company includes the total of the equity in the capital definition. In terms of capital management, the Company's objectives are to preserve its ability to continue its operation to ensure its sustainability and to provide an adequate return to its shareholders, and to ensure sufficient equity financing to fund a Qualifying Transaction in a way that maximizes the shareholders' return given the assumed risks of the operation. The Company may issue new shares following approval by the Board of Directors.

Under Exchange Policy 2.4, the Company is restricted in its use of proceeds raised from the issuance of common shares. The proceeds 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.

### 7. STOCK OPTIONS

On August 15, 2018, the Company entered into stock option agreements with its executives and directors entitling them to acquire 680,000 common shares at \$0.10 per share. These options expire on August 15, 2023. The fair value of these options is estimated at \$49,782 using the Black & Scholes option pricing model, and according to the following assumptions:

Risk-free interest rate	1.6%
Average expected life	5 years
Expected volatility	97%
Share price	\$0.10

The value of these options has been recognized as stock-based compensation in net income.

## Orletto Capital II Inc.

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

#### 7. STOCK OPTIONS (continued)

Furthermore, the Company granted the Agent a non-transferable option to purchase 400,000 common shares at \$0.10 per share. This option expires on August 14, 2020. The fair value of this option is estimated at \$20,681 using the Black & Scholes option pricing model, and according to the following assumptions:

Risk-free interest rate	2.14%
Average expected life	2 years
Expected volatility	97%
Share price	\$0.10

The value of this option has been recognized as issuance costs charged against share capital.

Determination of the volatility assumption of stock options is based on a historical volatility analysis over a period equal to the life of the options.

The following table summarizes the situation of the Company's stock option plan and the changes incurred during the period of:

	Nine months ended September 30, 2019 (unaudited)		216 days ended September 30, 2018 (unaudited)	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of the period	1,080,000	\$ 0.10	-	\$ -
Granted	-	-	1,080,000	0.10
Outstanding, end of the period	1,080,000	\$ 0.10	1,080,000	\$ 0.10
Options exercisable, end of the period	1,080,000		1,080,000	
Average fair value of the options granted during the period		\$ -		\$ 0.07

## Orletto Capital II Inc.

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

As at September 30, 2019

#### 7. STOCK OPTIONS (continued)

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2019:

Exercise price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$0.10	1,080,000	2,8 years	\$ 0.10	1,080,000	\$ 0.10

#### 8. NET INCOME PER SHARE

The basic net income per common share is calculated by dividing the net income (net loss) assumed by the common shareholders by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated giving effect to the potential dilution that could occur if the instruments to issue common shares were exercised at the later of the beginning of the year or the issuance date. The treasury stock method is used to determine the dilutive effect of dilutive instruments.

For the nine-month period ended September 30, 2019, the diluted net loss per share was the same as the basic net loss per share since the dilutive effect of stock options was not included in the calculation: otherwise the effect would have been antidilutive. The weighted average number of stock options not included in the calculation for this period is 1,080,000 stock options. Accordingly, the diluted net loss per share was calculated using the basic weighted average number of shares outstanding.

#### 9. FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to risks, the most significant of which are credit risk and liquidity risk. It has established policies and procedures that govern the extent of the Company's exposure to the most significant risks.

##### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at September 30, 2019, the Company holds its cash in a trust account in a law firm.

##### Liquidity risk

Liquidity risk is the risk that the Company has difficulty meeting its commitments associated with financial liabilities. The Company is exposed to this risk primarily through its accounts payable. However, as at September 30, 2019, it does not incur any liquidity risk due to its available cash.

## **Orletto Capital II Inc.**

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### **NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

As at September 30, 2019

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#### **10. SIGNIFICANT EVENT**

On July 29, 2019, the Company reached an agreement in principle with MiMedia Inc. Under this agreement in principle, the two companies agree to be combined by a merger at a ratio of 90% for the shareholders of MiMedia Inc. and 10% for the shareholders of the Company, calculated before any additional funding. This transaction is subject to various conditions including the approval from the Board of Directors of the Company and that of MiMedia Inc. as well as the completion of a concurrent private or public funding from a minimum of \$3,000,000 to a maximum of \$12,000,000.

MiMedia Inc. is a company that has developed a digital cloud technology providing a way to share digital content and to digitally keep a variety of personal contents. It focusses on data sharing in a secure way for families.