

Duckworth Capital Corp.
(a Capital Pool Company)

Financial Statements
As at August 31, 2017
(Expressed in Canadian Dollars)

October 18, 2017

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim financial statements of **Duckworth Capital Corp.** are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Carl Sheppard*"
President and Chief Executive Officer
St. John's, Newfoundland

(signed) "*Robert Randall*"
Chief Financial Officer
Halifax, Nova Scotia

DUCKWORTH CAPITAL CORP.
(A Capital Pool Company)
Unaudited Statements of Financial Position
As at August 31, 2017 and May 31, 2017
(Expressed in Canadian dollars)

	August 31, 2017	May 31, 2017
	\$	\$
Assets		
Current assets		
Cash	661,647	402,500
Sales tax recoverable	11,880	-
Deferred share issuance costs	-	9,750
Total assets	673,527	412,250
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	11,456	26,000
Shareholders' equity		
Capital stock (Note 4)	691,128	393,750
Warrants (Note 4)	21,059	-
Deficit	(50,116)	(7,500)
Total liabilities and equity	673,527	412,250

Nature of operations and going concern (Note 1)

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

Approved on behalf of the Board of Directors on October 18, 2017

“James Megann”

Director

“Carl Sheppard”

Director

DUCKWORTH CAPITAL CORP.
(A Capital Pool Company)
Unaudited Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Three-month period ended August 31, 2017 \$
Operating expenses	
Professional fees	11,302
Securities and regulatory	30,930
Office and communications	255
Banking fees	<u>129</u>
Loss and comprehensive loss for the period	<u>42,616</u>
Loss per share – basic and diluted	<u>\$0.01</u>
Weighted-average number of common shares outstanding	<u>8,397,826</u>

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

DUCKWORTH CAPITAL CORP.
(A Capital Pool Company)
Unaudited Interim Statement of Changes in Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Common Shares \$	Warrants \$	Deficit \$	Total Shareholders' Equity \$
Balance, May 1, 2017	-	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	(7,500)	(7,500)
Shares issued for cash	8,050,000	402,500	-	-	402,500
Share issue costs	-	(8,750)	-	-	(8,750)
Balance, May 31, 2017	8,050,000	393,750	-	(7,500)	386,250
Loss and comprehensive loss for the period	-	-	-	(42,616)	(42,616)
Shares issued pursuant to IPO financing (note 4)	4,000,000	400,000	-	-	400,000
Broker warrants issued pursuant to IPO financing (note 4)	-	(21,059)	21,059	-	-
Share issue costs	-	(81,563)	-	-	(81,563)
Balance, August 31, 2017	12,050,000	691,128	21,059	(50,116)	662,071

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

DUCKWORTH CAPITAL CORP.
(A Capital Pool Company)
Unaudited Interim Statement of Cash Flows
(Expressed in Canadian dollars)

	Three-month period ended August 31, 2017
	<u>\$</u>
Operating activities	
Net loss for the period	(42,616)
Net changes in non-cash working capital balances related to operations	
Increase in sales tax recoverable	(11,880)
Decrease in accounts payable and accrued liabilities	(14,544)
Net cash used in operating activities	<u>(69,040)</u>
Financing activities	
Proceeds from issuance of common shares, net of issue cost	318,437
Decrease in deferred share issue costs	9,750
Net cash provided by financing activities	<u>328,187</u>
Increase in cash	259,147
Cash, beginning of period	<u>402,500</u>
Cash, end of period	<u><u>661,647</u></u>

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

DUCKWORTH CAPITAL CORP.

(A Capital Pool Company)

Notes to the Unaudited Condensed Interim Financial Statements

1. Nature of operations and going concern

Nature of operations

Duckworth Capital Corp. (the "Corporation") was incorporated under the Canada Business Corporations Act on May 1, 2017. The Corporation is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "TSXV" or the "Exchange") Policy 2.4. The principal business of the Corporation is the identification and evaluation of a Qualifying Transaction ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Corporation commenced trading on August 24, 2017 under the symbol DUKE.P (TSXV).

The head office and the registered head office of the Corporation are located at 1959 Upper Water Street, Suite 900, Halifax, Nova Scotia, B3J 3N2.

The financial statements were approved by the Board of Directors on October 18, 2017.

Going concern

These financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation incurred a net loss for the period of \$42,616 and has no operations at this time which will generate revenue. These circumstances have resulted in a material uncertainty that may cast significant doubt about the ability of the Corporation to continue as a going concern.

The Corporation is currently investigating prospective acquisitions and is devoting all of its present efforts to securing and establishing a new business. Management cannot provide assurance that the Corporation will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital.

The ability of the Corporation to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Corporation to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities.

DUCKWORTH CAPITAL CORP.

(A Capital Pool Company)

Notes to the Unaudited Condensed Interim Financial Statements

2. Significant accounting policies

Statement of compliance

The Company prepares its unaudited condensed interim financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 (“CPA Canada Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim financial statements should be read in conjunction with the Company’s financial statements for the period from the date of incorporation on May 1, 2017 to May 31, 2017.

The policies applied in these unaudited condensed interim financial statements are based on the IFRS as of October 18, 2017, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year-ended May 31, 2018 could result in the restatement of these unaudited condensed interim financial statements.

Basis of presentation

The condensed interim financial statements have been prepared on a historical cost basis except for any financial assets and liabilities classified as available for sale. The Company’s functional currency is the Canadian dollar and these unaudited condensed interim financial statements are presented in Canadian dollars.

Significant accounting policies

These financial statements have been prepared using the same policies and methods of computation as the annual financial statements of the Company for the period from the date of incorporation on May 1, 2017 to May 31, 2017. Refer to note 2, *Significant Accounting Policies*, of the Company’s financial statements for the period from the date of incorporation on May 1, 2017 to May 31, 2017 for information on the accounting policies as well as new accounting standards not yet effective.

3. Capital management

The Corporation manages its capital structure and makes adjustments to it based on the funds available to the Corporation, in order to support the identification and evaluation of a Qualifying Transaction and continue as a going concern. The Corporation considers capital to be shareholders’ equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation’s management to sustain future development of the business. Additional funds may be required to finance the Corporation’s Qualifying Transaction.

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 up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval to list its shares on the Exchange.

DUCKWORTH CAPITAL CORP.
(A Capital Pool Company)
Notes to the Unaudited Condensed Interim Financial Statements

4. Capital stock

a) Common Shares

Authorized

Unlimited number of common shares, without nominal or par value

	Number of Shares	Value \$
Outstanding, May 31, 2017	8,050,000	393,750
Shares issued pursuant to the Initial Public Offering	4,000,000	400,000
Less: Broker warrants issued	-	(21,059)
Less: Share issue costs	-	(81,563)
Outstanding, August 31, 2017	<u>12,050,000</u>	<u>691,128</u>

On July 28, 2017, the Corporation filed a Prospectus in respect of an Initial Public Offering (“IPO”). The Corporation’s IPO was completed on August 24, 2017 with the issuance of 4,000,000 common shares at a price of \$0.10 per share, for gross proceeds of \$400,000. The cost of issuing the shares was \$81,563. In connection with the financing, the Corporation entered into an Agency Agreement with Haywood Securities Inc. (the “Agent”). As part of the Agency Agreement, the Agent received a cash commission of 10% of gross proceeds, or \$40,000, a corporate finance fee of \$10,000, and a legal cost reimbursement of \$10,000. Additional costs of the IPO included other legal costs of \$21,563. The Agent was also granted an option to acquire 10% of the common shares issued in connection with the IPO at a price of \$0.10 per common share, exercisable for a period ending twenty-four months from the date the Corporation’s common shares are listed on the Exchange. These broker warrants were valued at \$21,059 using the Black-Scholes valuation (see below).

On May 26, 2017, the Corporation issued 8,050,000 common shares at \$0.05 per share, which are subject to an escrow agreement. The issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange and terms of escrow agreement and will be released from escrow in stages over a period of up to three years after the date of the Corporation receiving the final Exchange acceptance of the QT. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must also be deposited in escrow pursuant to the terms of the escrow agreement.

b) Warrants

Warrant activity during the three-month period ended August 31, 2017 was as follows:

	Number of Warrants	Value \$
Outstanding, May 31, 2017	-	-
Broker warrants issued pursuant to the Initial Public Offering	400,000	21,059
Outstanding, August 31, 2017	<u>400,000</u>	<u>21,059</u>

DUCKWORTH CAPITAL CORP.

(A Capital Pool Company)

Notes to the Unaudited Condensed Interim Financial Statements

There were no warrants issued during the period from the date of incorporation on May 1, 2017 to May 31, 2017. On August 24, 2017, the Corporation issued 400,000 broker warrants pursuant to the Agency Agreement as part of the Corporation's IPO. The broker warrants are exercisable into common shares of the Corporation at an exercise price of \$0.10 per share and expire on August 24, 2017.

The 400,000 broker warrants issued during the period ended August 31, 2017 were valued using the Black-Scholes method with the following assumptions:

Risk-free interest rate	1.25%
Expected life	2.0 years
Expected volatility	100%
Expected dividend per share	\$0.00
Weighted-average fair value per warrant	\$0.053

c) Stock options

The Corporation has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Corporation unless shareholder and regulatory approvals are obtained. Options granted under the Plan have a ten-year term and are non-transferable. Unless otherwise determined by the Board of Directors, options vest immediately upon granting and may be exercised until the greater of twelve months after the completion of the QT and ninety days following the date of termination of employment or holding office as a director or officer of the Corporation and, in the case of death, expire within one year thereafter. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSX Venture Exchange at the time of the grant.

No options were issued during the period ended August 31, 2017.

5. Related party transactions

There were no transactions with related parties and no remuneration paid to key management personnel during the three-month period ended August 31, 2017 or for the period from the date of incorporation on May 1, 2017 to May 31, 2017.

6. Financial instruments

Credit risk

The Corporation's financial asset is cash. The Corporation's maximum exposure to credit risk, as at period-end, is the carrying value of its financial asset. The Corporation mitigates its credit risk by holding cash with high-quality financing institutions or in trust with the Corporation's lawyer.

Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2017, the Corporation had a cash balance of \$661,647. The Corporation's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public or private equity offerings (see note 1, Going Concern).

DUCKWORTH CAPITAL CORP.
(A Capital Pool Company)
Notes to the Unaudited Condensed Interim Financial Statements

7. Income taxes

a) Losses

The Corporation has non-capital tax losses of approximately \$50,116 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire in 2037.

b) The Corporation's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax net loss for the period. The reasons for the difference are as follows:

	Period ended August 31, 2017 \$	Period ended May 31, 2017 \$
Loss before income taxes	42,616	7,500
Income tax recovery based on substantively enacted rates	13,211	2,325
Current year loss for which no asset recognized	(13,211)	(2,325)
	<u>-</u>	<u>-</u>

c) The following deductible temporary difference and non-capital losses have not been recognized in the financial statements:

	2017 \$
Non-capital loss carry-forwards	<u>50,116</u>