

HUFFINGTON CAPITAL CORP.

Financial Statements

August 31, 2017

Presented in Canadian dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Huffington Capital Corp.:

We have audited the accompanying financial statements of Huffington Capital Corp., which comprise the statements of financial position as at August 31, 2017 and 2016, and the statements of comprehensive loss, changes in shareholders' 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.

Auditor's 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 auditor's 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 audits 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 Huffington Capital Corp. as at August 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Huffington Capital Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 29, 2017

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

HUFFINGTON CAPITAL CORP.Statements of Financial Position
(Expressed in Canadian dollars)

	Note	August 31, 2017	August 31, 2016
Assets			
Current assets			
Cash and equivalents		\$ 126,613	\$ 172,600
Interest receivable		492	636
Prepaid expenses		1,733	-
Total assets		\$ 128,838	\$ 173,236
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	3	\$ 7,323	\$ 8,147
Shareholders' equity			
Share capital	4	266,482	258,274
Stock option reserve		41,118	43,434
Deficit		(186,085)	(136,619)
Total shareholders' equity		121,515	165,089
Total liabilities and shareholders' equity		\$ 128,838	\$ 173,236

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Steve Bajic"

Steve Bajic, Director

"Hamlet Abnousi"

Hamlet Abnousi, Director

The accompanying notes are an integral part of these financial statements

HUFFINGTON CAPITAL CORP.

Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year-ended August 31, 2017	Year-ended August 31, 2016
Administrative expenses			
General and administrative		\$ 28,478	\$ 34,572
Transfer agent and filing fees		11,053	22,169
Stock based compensation		-	35,583
Professional fees		10,742	40,910
Interest income		(807)	(656)
Net and comprehensive loss		\$ (49,466)	\$ (132,578)
Weighted average number of outstanding shares		1,012,684	367,123
Basic and diluted loss per share		\$ (0.05)	\$ (0.36)

The accompanying notes are an integral part of these financial statements

HUFFINGTON CAPITAL CORP.Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital		Share based payment reserve	Deficit	Total shareholders' equity
	Number of Common Shares	Amount			
Balance, August 31, 2015	2,000,000	\$ 100,000	\$ -	\$ (4,041)	\$ 95,959
Surrender of stock	(1,000,000)	-	-	-	-
Issuance of stock pursuant to initial public offering	1,000,000	158,274	7,851	-	166,125
Issuance of stock options	-	-	35,583	-	35,583
Net and comprehensive loss	-	-	-	(132,578)	(132,578)
Balance, August 31, 2016	2,000,000	258,274	43,434	(136,619)	165,089
Issuance of stock pursuant to warrant exercise	22,125	6,741	(2,316)	-	4,425
Refund of share issuance costs	-	1,467	-	-	1,467
Net and comprehensive loss	-	-	-	(49,466)	(49,466)
Balance, August 31, 2017	2,022,125	\$ 266,482	\$ 41,118	\$ (186,085)	\$ 121,515

The accompanying notes are an integral part of these financial statements

HUFFINGTON CAPITAL CORP.

Statements of Cash Flows

(Expressed in Canadian dollars)

	Year-ended August 31, 2017	Year-ended August 31, 2016
Cash provided by (used in):		
Operating activities		
Net loss	\$ (49,466)	\$ (132,578)
Adjustment for non-cash working capital item: Stock based compensation	-	35,583
Changes in non-cash working capital items:		
Interest receivable	144	(636)
Prepaid expenses	(1,733)	-
Accounts payable and accrued liabilities	(824)	4,106
Cash used in operating activities	(51,879)	(93,525)
Financing activity		
Proceeds from issuance of shares, net of issuance costs	5,892	166,125
Cash from financing activities	5,892	166,125
Increase in cash and equivalents	(45,987)	72,600
Cash and equivalents, beginning	172,600	100,000
Cash and equivalents, ending	\$ 126,613	\$ 172,600
Cash and equivalents consists of the following:		
Cash at bank	\$ 1,613	\$ 1,600
Guaranteed investment certificate - redeemable	125,000	171,000
Cash and equivalents	\$ 126,613	\$ 172,600

The accompanying notes are an integral part of these financial statements

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Huffington Capital Corp. (the "Company") was incorporated in British Columbia under the Business Corporations Act on July 21, 2015 and its head office is located at 1177 West Hastings Street, Suite 1740, Vancouver, British Columbia, V6E 2K3.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). The Company completed its IPO on April 19, 2016. A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

These financial statements have been prepared on the basis that the Company will continue as a going concern. The proposed business of the Company and the completion of a Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements were approved by the board of directors on November 29, 2017.

(b) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the fair value of stock-based compensation, and the recognition of deferred income tax assets. Actual results may differ from these estimates. Significant areas requiring the use of judgment in applying the Company's accounting policies include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Income taxes*

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(d) *Financial instruments*

(i) Financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Financial instruments (Continued)*

(i) Financial assets (Continued)

The Company's financial assets consist of cash which is classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

(ii) Non-derivative financial liabilities

The Company's financial liabilities consist of accounts payable and are non-derivative financial liabilities. The Company initially recognizes non-derivative financial liabilities at fair value, net of any directly attributable transaction costs, on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition non-derivative financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Share Capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(f) *Loss per share*

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(g) *Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(h) *Cash and equivalents*

Cash and equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(i) *Accounting standards issued but not yet effective*

(i) New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date of IFRS 9 is annual periods beginning on or after January 1, 2018.

The Company has not early adopted this new standard and does not expect it will have a material effect on the Company's future results and financial operations.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
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3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2017	August 31, 2016
Accounts payable	\$ 2,323	\$ 3,147
Accrued liabilities	5,000	5,000
	<u>\$ 7,323</u>	<u>\$ 8,147</u>

4. SHARE CAPITAL

Common shares

The Company has authorized an unlimited number of common and preferred shares without par value.

On August 31, 2015, the Company issued 2,000,000 common shares for proceeds of \$100,000. 1,800,000 of these shares were issued to a director of the Company.

On January 25, 2016, the directors of the Company approved the surrender of 1,000,000 of the Company's issued and outstanding common shares for no consideration from its shareholders on a pro rata basis. Consequently, the number of issued and outstanding common shares has been reduced to 1,000,000 common shares. These shares have been deposited with a trustee under an escrow agreement. 10% of the escrowed common shares will be released from escrow on the issuance of the final Exchange bulletin on the closing of a Qualifying Transaction and an additional 15% will be released every six months following the initial release over a period of thirty six months.

On April 19, 2016, the Company completed its IPO issued 1,000,000 common shares at \$0.20 per share for net proceeds of \$166,125 after issuance costs. The Company also issued to the agent warrants that give the agent an option to acquire 75,000 common shares of the Company at a price of \$0.20 per share, expiring April 18, 2018. The fair value of these warrants was estimated to be \$7,851 which was recorded as a non-cash share issuance cost. The fair value was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 100%; an expected life of 2 years; a dividend yield rate of 0%; and a risk-free interest rate of 0.61%.

On January 11, 2017, 22,125 warrants were exercised at \$0.20 per warrant for proceeds of \$4,425.

Loss per share

Upon the Company completing its IPO, the 1,000,000 common shares issued to the Company's founders became subject to an escrow agreement and may be cancelled in the event that the Company is unable to complete its Qualifying Transaction within certain time limits. Accordingly, these shares are accounted for as contingently returnable shares and excluded from the calculation of loss per share. Outstanding stock options and warrants have been excluded from the calculation of diluted loss per share as the effect would be anti-dilutive.

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

4. SHARE CAPITAL (Continued)

Warrants

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at August 31, 2016	75,000	\$ 0.20
Exercised	(22,125)	\$ 0.20
Outstanding at August 31, 2017	52,875	\$ 0.20

The following is a summary of warrants outstanding at August 31, 2017:

Number of Shares	Exercise Price	Expiry Date	Exercisable
52,875	\$0.20	April 18, 2018	52,875

Stock Options

The Company has adopted a stock option plan, pursuant to which 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, and technical 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 exercisable for a period of up to five years from the date the common shares are listed on the Exchange. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On April 19, 2016, the Company issued 200,000 stock options at a price of \$0.20 per share, expiring April 18, 2026. The estimated fair value of the options was \$35,583 which was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 100%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 0.61%.

The weighted average remaining life of options at August 31, 2017 was 8.63 years.

The following table summarizes information about stock options outstanding and exercisable at August 31, 2017:

Number of Shares	Exercise Price	Expiry Date	Exercisable
200,000	\$0.20	April 19, 2026	200,000

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

5. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year-ended August 31, 2017	Year-ended August 31, 2016
Net loss before income tax	\$ (49,466)	\$ (132,578)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(12,856)	(34,470)
Permanent differences – Stock-based compensation	-	9,252
Deferred tax assets not recognized	12,856	25,219
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	August 31, 2017
Non-capital losses	\$ 164,033
Share issue costs	\$ 20,325

The non-capital losses expire in the years 2035 – 2037.

6. FINANCIAL INSTRUMENTS AND RISKS

(a) Fair values

The fair values of cash, accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

HUFFINGTON CAPITAL CORP.

Notes to the Financial Statements
For the year ended August 31, 2017
(Expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISKS (Continued)

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

(e) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's is not exposed to currency risk.

7. CAPITAL MANAGEMENT

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.