

# **FARSTARCAP INVESTMENT CORP.**

CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited - expressed in Canadian Dollars)

For the Three and Nine Months Ended June 30, 2019 and 2018

# **FARSTARCAP INVESTMENT CORP.**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of the Company and all information contained in the report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim financial statements and related financial reporting matters.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**FARSTARCAP INVESTMENT CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - expressed in Canadian Dollars)

	Notes	June 30, 2019 \$	September 30, 2018 \$
<b>ASSETS</b>			
Current assets			
Cash		247,079	140,091
GST receivable		-	2,840
		247,079	157,931
<b>Total assets</b>		247,079	157,931
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	3,487	54,169
<b>EQUITY</b>			
Share capital	5	397,468	211,001
Contributed surplus		31,943	-
Deficit		(185,819)	(107,239)
<b>Total equity</b>		243,592	103,762
<b>Total liabilities and equity</b>		247,079	157,931

Organization and nature of operations and going concern (Note 1)

**Approved by the Board of Directors**

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"Robert McMorran" Director

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"Neil MacRae" Director

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

**FARSTARCAP INVESTMENT CORP.**  
**CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
For the Three and Nine Months Ended June 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended		Nine months ended	
		2019	June 30, 2018	2019	June 30, 2018
		\$	\$	\$	\$
Expenses					
Professional fees	6	22,736	21,713	40,359	39,972
Listing and filing fees		980	5,000	16,650	5,000
Office expenses		235	233	2,861	871
Share-based compensation		-	-	18,710	-
Net and comprehensive loss for the period		(23,951)	(26,946)	(78,580)	(45,843)
Basic and diluted loss per share		(0.02)	(0.02)	(0.03)	(0.08)
Weighted average number of shares outstanding		3,610,000	1,110,000	2,373,736	552,967

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

**FARSTARCAP INVESTMENT CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

For the Nine Months Ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Number of shares #	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance, September 30, 2017</b>	<b>2,000,001</b>	<b>100,001</b>	-	<b>(12,705)</b>	<b>87,296</b>
Shares issued during the period	1,110,000	111,000	-	-	111,000
Net and comprehensive loss for the period	-	-	-	(45,843)	(45,843)
<b>Balance, June 30, 2018</b>	<b>3,110,001</b>	<b>211,001</b>	-	<b>(58,548)</b>	<b>152,453</b>
Net and comprehensive loss for the period	-	-	-	(48,691)	(48,691)
<b>Balance, September 30, 2018</b>	<b>3,110,001</b>	<b>211,001</b>	-	<b>(107,239)</b>	<b>103,762</b>
Shares issued pursuant to IPO	2,500,000	250,000	-	-	250,000
Share issuance costs	-	(50,300)	-	-	(50,300)
Broker warrants	-	(13,233)	13,233	-	-
Share-based compensation	-	-	18,710	-	18,710
Net and comprehensive loss for the period	-	-	-	(78,580)	(78,580)
<b>Balance, June 30, 2019</b>	<b>5,610,001</b>	<b>397,468</b>	<b>31,943</b>	<b>(185,819)</b>	<b>243,592</b>

**FARSTARCAP INVESTMENT CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

For the Nine Months Ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	2019 \$	2018 \$
Cash flow provided by (used in)		
<b>Operating activities</b>		
Loss for the period	(78,580)	(45,843)
Non-cash item:		
Share-based compensation	18,710	-
Changes in non-cash working capital items		
GST receivable	2,840	(1,156)
Accounts payable and accrued liabilities	(50,682)	21,753
	(107,712)	(25,246)
<b>Financing activities</b>		
Net proceeds from issuance of shares	250,000	111,000
Deferred financing costs	(35,300)	(15,000)
	214,700	96,000
Increase in cash during the period	106,988	70,754
Cash – beginning of the period	140,091	99,993
Cash – end of the period	247,079	170,747

**FARSTARCAP INVESTMENT CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the Three and Nine Months Ended June 30, 2019 and 2018  
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**1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN**

Farstarcap Investment Corp. (“Farstarcap” or the “Company”) was incorporated under the Business Corporations Act of British Columbia on September 22, 2016. 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 TSX Venture Exchange. The Company’s principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction (“Qualifying Transaction”) in accordance with Policy 2.4 of the Exchange. The Company’s head office is located at 880 – 580 Hornby Street, Vancouver, BC V6C 3B6. On Feb 13, 2019 the Company completed its IPO and was listed on the Exchange (Note 5).

As a CPC the Company is subject to certain cash restrictions. Proceeds raised from the issuance of common shares from the IPO may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuances of shares, or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative general expenses of the Company. The restrictions apply until completion of a Qualifying Transaction by the Company in accordance with Policy 2.4 of the Exchange.

As at June 30, 2019 the Company had no business operations and its only significant asset were cash and deferred financing costs. The ability of the Company to fund potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction or be able to finance such an investment or acquisition. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended September 30, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the audited financial statements for the year ended September 30, 2018.

These condensed interim financial statements were approved by the board of directors for use on August 28, 2019.

**FARSTARCAP INVESTMENT CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

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**3. ADOPTION OF NEW ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**IFRS 16 Leases**

This standard replaces IAS 17 Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date for the Company is for the annual period beginning on October 1, 2019. The Company has initially assessed that there will be no material reporting changes as a result of adoption this new standard.

**IFRS 9, Financial Instruments**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on October 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

**Recognition and Classification**

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

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The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on October 1, 2018.

## **Measurement**

### **Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

### **Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

### **Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

### **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## **Derecognition**

### **Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

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**Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

For full details on the critical accounting estimates and judgements affecting the Company, please refer to the Company's annual financial statements and notes for the year ended September 30, 2018.

**5. SHARE CAPITAL**

- a) Authorized:** Unlimited common shares without par value.  
Unlimited preferred shares issuable in series.

On September 27, 2017, the Company issued 2,000,000 common shares at \$0.05 per share for proceeds of \$100,000.

On February 15, 2018, the Company issued a total of 1,110,000 common shares at a price of \$0.10 per share for gross proceeds of \$111,000.

On February 20, 2018 the Company entered into an Escrow Agreement (the "Escrow Agreement") in accordance with the Exchange CPC Policy, with certain shareholders and 2,000,001 common shares were placed in escrow. Subject to the said Policy, the escrowed common shares will be released from escrow as follows: 10% on the completion of Qualifying Transaction, and 15% on each of the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. Shares held in escrow are considered contingently returnable until completion of a Qualifying Transaction and are therefore not included in the calculation of basic and diluted loss per share. Should the Qualifying Transaction not be completed, the escrowed shares must be cancelled.

On February 13, 2019, the Company completed its IPO issuing 2,500,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$250,000. In connection with the IPO, the Company entered into an Agency Agreement with Canaccord Genuity Corp. (the "Agent"). The Company paid an aggregate of \$50,300 in cash commission, corporate finance fee, legal and other expenses incurred by the Agent.

In addition, the Company granted 250,000 non-transferable warrants to the Agent entitling the Agent to purchase common shares at a price of \$0.10 per share expiring on February 13, 2021. The warrants were fair valued at \$13,233 using the Black-Scholes Option Pricing model under the following assumptions: risk free rate – 1.84%; expected dividend – nil; expected life – 2 years; expected volatility – 100%.

**b) Stock Options**

On December 1, 2017 the Company adopted a stock option plan (the "Stock Option Plan"), whereby the maximum number of non-transferable options to purchase common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Additionally, the maximum number of non-transferable options to purchase common shares reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common

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shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a technical consultant. All options granted under the Stock Option plan will expire not later than the date that is ten years from the date that such options are granted. Options may be exercised the greater of 12 months after 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 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. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument pursuant to the laws of succession.

The balance of stock options outstanding and exercisable as at June 30, 2019 and September 30, 2018 and the changes for the periods then ended is as follows:

	Number of Options #	Weighted Average Exercise Price \$	Weighted Average Life Remaining (years)
<b>Balance, September 30, 2018</b>	-	-	-
Granted	250,000	0.10	-
<b>Balance, June 30, 2019</b>	<b>250,000</b>	<b>0.10</b>	<b>4.63</b>

The Company recorded share-based compensation expense of \$18,710 during the nine months ended June 30, 2019 (2018 - \$nil) as the Company granted 250,000 stock options to officers and directors of the Company. The options have an exercise price of \$0.10 per option and expire on February 13, 2024. The Company fair valued the options using the Black-Scholes Option Pricing model based on the following assumptions: risk free rate – 1.84%, expected dividend – nil; expected life – 5 years; expected volatility – 100%.

As at June 30, 2019, the Company's stock options outstanding were as follows:

Expiry Date	Exercise price \$	Remaining life (years)	Options outstanding and exercisable
February 13, 2024	0.10	4.63	250,000

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**c) Warrants**

The balance of warrants outstanding as at June 30, 2019 and September 30, 2018 and the changes for the periods then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price \$	Weighted Average Life Remaining (years)
<b>Balance, September 30, 2018</b>	-	-	-
Issued	250,000	0.10	-
<b>Balance, June 30, 2019</b>	<b>250,000</b>	<b>0.10</b>	<b>1.63</b>

As at June 30, 2019 the Company has 250,000 warrants outstanding with an exercise price of \$0.10, expiring on February 13, 2021.

**6. RELATED PARTY TRANSACTIONS**

As at June 30, 2019, the Company had \$nil (September 30, 2018 - \$nil) in accounts payable and accrued liabilities owing to related parties. Compensation paid or accrued to key management or companies controlled by key management personnel during the three and nine months ended June 30, 2019 consisted of \$18,710 of share-based payments expense. During the three and nine months ended June 30, 2018 the Company paid \$1,356 and \$4,670, respectively, of professional fees to Malaspina Consultants Inc., a company that during that time was controlled by Rob McMorran, a Director of the Company.

All transactions with related parties have occurred in the normal course of operations.