

FARSTARCAP INVESTMENT CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - expressed in Canadian Dollars)
For the three and nine months ended June 30, 2020 and 2019

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, 2020 \$	September 30, 2019 \$
ASSETS			
Current assets			
Cash		164,651	242,392
Promissory note	8	25,859	-
Total assets		190,510	242,392
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		5,705	8,235
EQUITY			
Share capital	5	397,468	397,468
Contributed surplus		31,943	31,943
Deficit		(244,606)	(195,254)
Total equity		184,805	234,157
Total liabilities and equity		190,510	242,392

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

Approved by the Board of Directors

"Robert McMorran" Director

"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, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended June 30,		Nine months ended June 30,	
		2020 \$	2019 \$	2020 \$	2019 \$
Expenses					
Professional fees		15,617	22,736	40,118	40,359
Listing and filing fees		3,012	980	8,330	16,650
Office expenses		67	235	1,763	2,861
Share-based compensation		-	-	-	18,710
Loss before other items		(18,696)	(23,951)	(50,211)	(78,580)
Other items:					
Interest income	8	374	-	859	-
Net and comprehensive loss for the period		(18,322)	(23,951)	(49,352)	(78,580)
Basic and diluted loss per share		(0.01)	(0.02)	(0.01)	(0.03)
Weighted average number of shares outstanding		3,610,000	3,610,000	3,610,000	2,373,736

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, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	Number of shares #	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, September 30, 2018	3,110,001	211,001	-	(107,239)	103,762
Shares issued for cash	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)
Balance, June 30, 2019	5,610,001	397,468	31,943	(185,819)	243,592
Net and comprehensive loss for the period	-	-	-	(9,435)	(9,435)
Balance, September 30, 2019	5,610,001	397,468	31,943	(195,254)	234,157
Net and comprehensive loss for the period	-	-	-	(49,352)	(49,352)
Balance, June 30, 2020	5,610,001	397,468	31,943	(244,606)	190,510

FARSTARCAP INVESTMENT CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	2020	2019
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Loss for the period	(49,352)	(78,580)
Non-cash item:		
Interest income	859	-
Share-based compensation	-	18,710
Changes in non-cash working capital items		
GST receivable	-	2,840
Accounts payable and accrued liabilities	(2,530)	(50,682)
	(52,741)	(107,712)
Financing activities		
Net proceeds from issuance of shares	-	250,000
Deferred financing costs	-	(35,300)
Promissory note	(25,000)	-
	(25,000)	214,700
Change in cash during the period	(77,741)	106,988
Cash – beginning of the period	242,392	140,091
Cash – end of the period	164,651	247,079

FARSTARCAP INVESTMENT CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

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 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 February 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, 2020 the Company had no business operations and its only significant asset was cash. 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.

On March 11, 2020 the World Health Organization has declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

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 year ended September 30, 2019, 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, 2019 except as outlined in note 3.

These condensed interim financial statements were approved by the board of directors for use on August 31, 2020.

FARSTARCAP INVESTMENT CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 Leases

IFRS 16 – Leases is a new standard that became effective for the Company on October 1, 2019. IFRS 16 specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The adoption of IFRS 16 did not have a significant impact on its financial statements as the Company does not have any leases.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. In the process of applying the Company's accounting policies, management has made the following estimates, assumptions and judgments which have a significant effect on the amounts recognized in the financial statements:

- (i) *Going concern* – The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Factors considered by management are disclosed in Note 1.
- (ii) *Income taxes* - In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

5. SHARE CAPITAL

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

The Company did not complete any financings during the nine months ended June 30, 2020.

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.

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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.

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 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, 2020 and September 30, 2019 and the changes for the periods then ended is as follows:

	Number of Options #	Weighted Average Exercise Price \$	Weighted Average Life Remaining (years)
Balance, September 30, 2018	-	-	-
Granted	250,000	0.10	-
Balance, September 30, 2019 and June 30, 2020	250,000	0.10	3.62

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 annual volatility – 100%. Expected volatility was determined by using the average of other similar companies.

As at June 30, 2020, 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	3.62	250,000

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c) Warrants

The balance of warrants outstanding as at June 30, 2020 and September 30, 2019 and the changes for the periods then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price \$	Weighted Average Life Remaining (years)
Balance, September 30, 2018	-	-	-
Issued	250,000	0.10	
Balance, September 30, 2019 and June 30, 2020	250,000	0.10	0.62

As at June 30, 2020 the Company has 250,000 warrants outstanding with an exercise price of \$0.10, expiring on February 13, 2021. The warrants were fair valued using the Black-Scholes option pricing model based on the following assumptions: risk free rate - 1.84%; expected dividend - nil; expected life – 2 years; expected volatility – 100%.

d) Loss per share

The calculation of basic and diluted loss per share for the three and nine months ended June 30, 2020 was based on the loss attributable to common shareholders of \$18,322 (2019 - \$23,951) and \$49,352 (2019 - \$78,580) respectively, and the weighted average common shares outstanding of 3,610,000 (2019 – 3,610,000 and 2,373,736)

Escrow shares are considered contingently returnable until the Company complete a QT. Accordingly the 2,000,001 shares held in escrow are not considered outstanding shares for the purposes of the loss per share calculations.

6. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

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As at June 30, 2020, the Company had \$nil (September 30, 2019 - \$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, 2020 and 2019 was \$nil.

7. FINANCIAL INSTRUMENTS

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

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 its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investors and associated financings.

The Company is not subject to any externally imposed capital requirements.

Financial Instruments Hierarchy

The Company has categorized fair value measurements of its financial instruments using a fair value hierarchy that reflects the reliability of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs, other than Level 1 prices, in active markets for similar assets or liabilities, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments consist of cash, promissory note and accounts payable and accrued liabilities. The Company designated its cash, promissory note and accounts payable and accrued liabilities as amortized cost. The fair value of the Company's financial instruments approximates their carrying value due to their short-term to maturity.

The risks associated with financial assets and liabilities are as follows:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and

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financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with the Bank of Montreal. Accordingly, the Company believes it is not exposed to significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's management has determined that exposure to interest rate risk is limited at present as the Company's assets and liabilities are earning or incurring interest at market rates or where they are non-interest bearing or have fixed interest rates they have short terms to maturity.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. As at June 30, 2020, all of the Company's liabilities are short-term and due on demand. At June 30, 2020, the Company had working capital of \$184,805 (September 30, 2019 - \$234,157).

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign exchange risk is minimal.

8. PROPOSED TRANSACTION

On October 28, 2019 the Company announced it had entered into a definitive agreement to acquire all of the issued and outstanding shares of A4 Systems Corporation ("A4") by way of a three-cornered amalgamation (the "Transaction"). The Company Transaction would constitute a Qualifying Transaction in accordance with Policy 2.4 of the Exchange.

On December 4, 2019 the Company issued a \$25,000 Promissory Note (the "Promissory Note") to A4. The Promissory Note bears interest at 6% per annum and was due on March 31, 2020. During the nine months ended June 30, 2020 the Company recorded \$859 of interest receivable. As at June 30, 2020 the total amount of 25,859 is due on demand.

On July 6, 2020 the Company announced it would not proceed with the Transaction and will instead pursue and evaluate other businesses and assets with a view to complete a Qualifying Transaction.