

NBS Capital Inc.

Financial Statements

*Year ended June 30, 2019 and period from
incorporation on March 1, 2018 to June 30, 2018*

NBS Capital Inc.

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*For the year ended June 30, 2019 and period
from incorporation on March 1, 2018 to June 30, 2018*

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To the Shareholders of NBS Capital Inc.:

Opinion

We have audited the financial statements of NBS Capital Inc. (the "Company"), which comprise the statements of financial position as at June 30, 2019 and June 30, 2018, and the statements of loss and other comprehensive loss, changes in equity and cash flows for the year ended June 30, 2019 and for the period from incorporation on March 1, 2018 to June 30, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and June 30, 2018, and its financial performance and its cash flows for the year and period then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Wright.

Ottawa, Ontario

October 28, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

NBS Capital Inc.
Statement of Financial Position
As at June 30, 2019

	2019	2018
Assets		
Current		
Cash	23,796	88,466
Short-term investments (Note 6)	401,630	-
Subscription receivable	-	5,000
Prepaid expenses	2,817	19,040
	428,243	112,506
Liabilities		
Current		
Accounts payable and accrued liabilities	-	283
Equity		
Share capital (Note 8)	453,906	115,000
Contributed surplus (Note 8)	54,747	
Warrants (Note 8)	26,501	-
Deficit	(106,911)	(2,777)
	428,243	112,223
	428,243	112,506

Approved by the board of directors:

Original signed by: Paul Barbeau

Director

Original signed by: David Chow

Director

The accompanying notes are an integral part of these financial statements

NBS Capital Inc.
Statement of Loss and Other Comprehensive Loss

*For the period ended June 30, 2019 and period from
incorporation on March 1, 2018 to June 30, 2018*

	2019	2018
Revenue		
Interest income	1,795	-
Expenses		
Share-based compensation	54,747	-
Professional fees	38,208	2,260
Office expenses	9,390	416
Travel	2,379	-
Meals and entertainment	1,015	79
Telephone and internet	107	-
Bank charges	83	22
	105,929	2,777
Loss and other comprehensive loss	(104,134)	(2,777)
Basic and diluted loss per share	(0.01)	(0.001)
Weighted average common shares outstanding	4,957,534	2,300,000

The accompanying notes are an integral part of these financial statements

NBS Capital Inc.
Statement of Changes in Equity
For the period ended June 30, 2019

	Share Capital		Contributed Surplus	Warrants	Deficit	Total
	(#)	\$	\$	\$	\$	\$
Balance, March 1, 2018	-	-	-	-	-	-
Shares issued	2,300,000	115,000	-	-	-	115,000
Net loss and comprehensive loss	-	-	-	-	(2,777)	(2,777)
Balance, June 30, 2018	2,300,000	115,000	-	-	(2,777)	112,223
	Share Capital		Contributed Surplus	Warrants	Deficit	Total
	(#)	\$	\$	\$	\$	\$
Balance, July 1, 2018	2,300,000	115,000	-	-	(2,777)	112,223
Shares issued, net of share issuance costs of \$161,094	5,000,000	338,906	-	-	-	338,906
Issuance of agent warrants	-	-	-	26,501	-	26,501
Share-based compensation	-	-	54,747	-	-	54,747
Net loss and comprehensive loss	-	-	-	-	(104,134)	(104,134)
Balance, June 30, 2019	7,300,000	453,906	54,747	26,501	(106,911)	428,243

The accompanying notes are an integral part of these financial statements

NBS Capital Inc.
Statement of Cash Flows

*For the year ended June 30, 2019 and period from
incorporation on March 1, 2018 to June 30, 2018*

	2019	2018
Operating activities		
Net loss	(104,134)	(2,777)
Adjusted for the following non-cash items:		
Share-based compensation (Note 8)	54,747	-
	(49,387)	(2,777)
Changes in working capital accounts		
Subscription receivable	5,000	(5,000)
Prepaid expenses	16,223	(19,040)
Accounts payable and accrued liabilities	(283)	283
	20,940	(23,757)
Cash used for operating activities	(28,447)	(26,534)
Investing activities		
Purchase of short-term investments	(851,630)	-
Redemption of short-term investments	450,000	-
Cash used for investing activities	(401,630)	
Financing activities		
Proceeds from shares issued (net of share issuance costs)	365,407	115,000
Increase (decrease) in cash	(64,670)	88,466
Cash , beginning of the period	88,466	-
Cash , end of the period	23,796	88,466

The accompanying notes are an integral part of these financial statements

NBS Capital Inc.

Notes to the Financial Statements

**For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)**

1. DESCRIPTION OF BUSINESS

NBS Capital Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on March 1, 2018. The Company is classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head office and registered office of the Company is located at 11 – 300 Earl Grey Drive, Ottawa, ON K2T 1C1.

The Company issued 2,300,000 common shares for an amount of \$115,000 and on November 30, 2018 the Company’s prospectus for an Initial Public Offering (“IPO”) of the Company’s common shares was receipted by the regulatory authorities. The IPO closed on December 17, 2018 and a total of 5,000,000 common shares were issued at a price of \$0.10 per common share. The Company’s shares commenced trading on December 18, 2018 under the symbol NBS.P.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company’s shares from trading.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect for the fiscal year beginning July 1, 2018.

These financial statements were authorized for issuance in accordance with a resolution of the directors on October 28, 2019.

Basis of measurement

These financial statements have been prepared on a going concern basis, under the historical cost convention.

Functional currency and currency of presentation

The financial statements are presented in Canadian dollars which is also the functional currency of the Company.

NBS Capital Inc.

Notes to the Financial Statements

**For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)**

2. BASIS OF PRESENTATION (CONTINUED)

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash consists of amounts on deposit with high credit quality financial institutions.

Short-term investments

Short-term investments are comprised of liquid investments with maturities within 12 months of the date of the statement of financial position.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and other comprehensive loss except to the extent it relates to items recognized directly in equity.

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Share-based payments

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over

NBS Capital Inc.

Notes to the Financial Statements

**For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Share capital and share issuance costs

Share capital represents the amount received on the issuance of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital.

Agent warrants

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to agents and records a debit to share issuance costs with a corresponding credit to warrants.

Loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated giving effect to potential dilution that would occur if stock options, warrants or other dilutive instruments were exercised. The dilutive impact is determined by assuming that any proceeds upon exercise for which market price exceeds exercise price, would be used to purchase shares at the average market price for the period. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. Diluted loss per share does not include the effect of potentially issuable common shares if their effect is anti-dilutive.

Revenue from contracts with customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and related interpretations. The Company has adopted IFRS 15 effective January 1, 2019 retrospectively. The Company has determined that there was no impact to the financial statements as the Company does not generate revenue.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

NBS Capital Inc.

Notes to the Financial Statements

**For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortized cost,
- fair value through profit or loss (“FVTPL”); or
- fair value through other comprehensive income (“FVOCI”).

The classification is determined by both:

- the entity’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income (loss) (all income and expenses relating to financial assets that are recognized in profit or loss are presented within finance income or other financial items).

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company’s cash, short-term investments and the subscription receivable fall into this category of financial assets.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than ‘hold to collect’ or ‘hold to collect and sell’, and financial assets the contractual cash flows of which are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

NBS Capital Inc.

Notes to the Financial Statements

For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique, where no active market exists. The Company does not have any financial instruments in this category as at June 30, 2018.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is hold to collect the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. The Company does not have any financial instruments in this category as at June 30, 2019 or June 30, 2018.

Impairment of financial assets

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss' ("ECL") model. The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

NBS Capital Inc.

Notes to the Financial Statements

**For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions 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 outcomes can differ from these estimates. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Significant management judgments

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements.

- Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits.

- Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

- Stock options

The Company records share-based payments based on management's judgement of the expected exercise date of options which is impacted by the timing of completion of the qualifying transaction.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- Fair value of financial instruments

NBS Capital Inc.

Notes to the Financial Statements

**For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

- Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

- Share-based payments and fair value of warrants

Share-based payments to employees and directors are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires judgment as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the expected volatility of the Company's share price, the risk-free interest rate and expected dividends.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following standards is effective for the Company's annual periods beginning after July 1, 2019, with earlier adoption permitted. The Company has not early adopted these standards and expects that the adoption of this standard will have no material impact on its consolidated financial statements.

IFRS 16 Leases ("IFRS 16") eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well. The Company plans to adopt the new standard on the required effective date.

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and allow it to identify an appropriate business or asset in order to acquire such a business or asset.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and short-term investments as capital. There were no changes in the Company's approach to capital management during the period ended June 30, 2019. The Company's investment policy is to hold cash in interest bearing bank accounts. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its activities for the next twelve months.

NBS Capital Inc.

Notes to the Financial Statements

For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)

6. SHORT-TERM INVESTMENTS

Short-term investments consist of various guaranteed investment certificates that mature on July 21, 2019 with annual interest rates ranging from 1.30% to 1.55%.

	Interest rate	Maturity date	June 30, 2019	June 30, 2018
Guaranteed investment certificates	1.30% - 1.55%	July 21, 2019	401,630	-

7. FINANCIAL INSTRUMENTS

Carrying values and fair values

Financial instruments are classified into one of the following categories: amortized cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income (FVOCI).

The carrying values of cash, short-term investments, subscription receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at June 30, 2019 and June 30, 2018 the Company did not have any financial instruments remeasured at fair value. The carrying amount of cash, short-term investments, subscription receivable and account payable and accrued liabilities approximates its fair value due to the short-term maturities of these items.

It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Company's financial assets exposed to credit risk are primarily composed of cash, short-term investments and subscription receivable. Maximum exposure is equal to the carrying values of these assets. The Company's cash and short-term investments are held in a Canadian bank. The financial assets of the Company are neither past due nor impaired as at June 30, 2019 or June 30, 2018.

NBS Capital Inc.

Notes to the Financial Statements

For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at June 30, 2019 (June 30, 2018), the Company had a cash balance of \$23,796 (2018 - \$88,466) and short-term investments of \$401,630 (2018 - \$Nil) to settle current liabilities of \$Nil (2018 - \$283). To the extent that the Company believes it has sufficient liquidity to meet its current obligations, the Board of Directors may consider securing additional funds through equity or partnering transactions to finance future operations. All the Company's financial liabilities are normally paid within 30 days and are subject to normal trade terms. The Company has no source of operating cash flow to fund its evaluation potential Qualifying Transaction. Funding for a potential Qualifying Transaction requires equity or debt financing. The Company has limited financial resources and there is no assurance that funding will always be available to allow the Company to complete a Qualifying Transaction.

8. SHARE CAPITAL

Authorized

An unlimited number of common shares with no par value.

Issued and outstanding

	Number of Common Shares	Amount
		\$
Opening Balance, March 1, 2018	-	-
Private Placement – Common Shares	2,300,000	115,000
Ending Balance, June 30, 2018	2,300,000	115,000
Initial Public Offering	5,000,000	338,906
Ending Balance June 30, 2019	7,300,000	453,906

On December 18, 2018 the Company completed its Initial Public Offering (“IPO”). The IPO offered 5,000,000 Common Shares at a price of \$0.10 per Common Share for gross proceeds of \$500,000. The Company incurred \$134,593 in cash share issuance costs associated with legal and underwriting fees and a further \$26,501 in agent warrants.

Stock option plan

The Company has established a stock option plan available for directors, officers, employees and consultants, and has authorized a stock option pool equal to 10% of the outstanding common shares. At June 30, 2019, the available option pool was 730,000 (June 30, 2018 – 230,000) and outstanding stock options totalled 730,000 (2018 – Nil).

NBS Capital Inc.

Notes to the Financial Statements

For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
(Expressed in Canadian Dollars)

8. SHARE CAPITAL (CONTINUED)

Options are granted with exercise prices equal to the fair market value of the common shares of the Company on the date of grant. Options generally vest immediately after a specific event has occurred. All options expire on the fifth anniversary of the grant. After termination of employment, unvested options are forfeited immediately and vested options expire 90 days subsequent to termination. The Board of Directors administers the stock option plan.

A summary of the Company's stock options and changes during the periods is presented below:

	2019		2018	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Outstanding, beginning of year	-	-	-	-
Granted	730,000	0.10	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding, end of year	730,000	0.10	-	-
Exercisable, end of year	730,000	0.10	-	-

The following table summarizes the options outstanding and exercisable:

For the fiscal year ended June 30, 2019				For the period ended June 30, 2018			
Options Outstanding			Options Exercisable	Options Outstanding			Options Exercisable
Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable
\$ 0.10	730,000	4.41	730,000	-	-	-	-

The fair value of options granted is determined using the Black-Scholes option pricing model. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the options. The following weighted average assumptions were used for options granted in the year:

	2019	2018
Risk-free interest rate	2%	-
Expected life of options (years)	5	-
Expected annualized volatility	100%	-
Expected dividend yield	n/a	-
Estimated forfeiture rate	0%	-
Weighted average fair value of each option	\$0.07	-

NBS Capital Inc.

Notes to the Financial Statements

For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
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8. SHARE CAPITAL (CONTINUED)

Share-based compensation is recorded as an increase to contributed surplus and is transferred to share capital when the underlying options are exercised. A total of 730,000 stock options were granted during the fiscal year ended June 30, 2019 at an exercise price of \$0.10 with a grant date fair value of \$54,747 (2018 – \$Nil). Total share-based compensation expense during the year relating to current and prior year grants was \$54,747 (2018 - \$Nil).

Agent warrants

On December 18, 2019, the Company granted 500,000 warrants as part of the units sold through their initial public offering. Each warrant is exercisable into one common share of the Company at a price of \$0.10 per share and expires on December 18, 2020.

	Warrants Outstanding	Weighted Average Exercise Price
	#	\$
Outstanding, July 1, 2018	-	-
Granted	500,000	0.10
Exercised	-	-
Expired/cancelled	-	-
Outstanding, June 30, 2019	500,000	0.10

9. KEY MANAGEMENT PERSONNEL AND DIRECTOR COMPENSATION

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and are defined as the Chief Officers of the Company and the Company's Board of Directors. The Company's compensation program is administered by the Board of Directors and specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay in light of business achievement, fulfillment of individual objectives and overall job performance. Directors, executive officers and employees participate in the Company's stock option plans.

The following summarizes key management personnel and directors' compensation for the years ended June 30, 2019 and 2018:

	2019	2018
	\$	\$
Salaries and other compensation	-	-
Share-based compensation	54,747	-
	54,747	-

During the year the Company incurred expenses of \$2,345 (2018 - \$Nil) charged by a Company controlled by the Chief Executive Officer.

NBS Capital Inc.

Notes to the Financial Statements

For the year ended June 30, 2019 and period from incorporation on March 1, 2018 to June 30, 2018
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10. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% were as follows:

	2019 \$	2018 \$
Loss before income taxes	(104,134)	(2,777)
Expected income tax recovery based on statutory rate	(27,596)	(736)
Permanent differences	14,642	-
Benefit of tax losses not recognized	12,954	736
Deferred income tax provision (recovery)	-	-

(b) Deferred income taxes

The Company has approximately \$78,575 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire in the following periods:

<u>Year</u>	<u>Amount(\$)</u>
2038	2,777
2039	75,798

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.