

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2017

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

Black Birch Capital Acquisition III Corp.

(A Capital Pool Company)

Condensed Interim Statements of Financial Position

(Unaudited - expressed in Canadian dollars)

	Note	September 30, 2017 \$	December 31, 2016 \$
Assets			
Current assets			
Cash		197,167	19,178
Amounts receivable and deposits		-	19,841
Total assets		<u>197,167</u>	<u>39,019</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		<u>50,088</u>	<u>453,013</u>
Shareholders' equity			
Share capital	4	1,134,407	534,407
Contributed surplus	4	20,992	20,992
Deficit		<u>(1,008,320)</u>	<u>(969,393)</u>
		<u>147,079</u>	<u>(413,994)</u>
Total liabilities and shareholders' equity		<u>197,167</u>	<u>39,019</u>

Nature of Operations and Future Operations (note 1)

On behalf of the Board

(signed) "Paul Haber"

(signed) "Kin-Man Lee"

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

Black Birch Capital Acquisition III Corp.

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Condensed Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30

(Unaudited - expressed in Canadian dollars)

	Note	Three Month Period Ended Sept. 30, 2017 \$	Three Month Period Ended Sept. 30, 2016 \$	Nine Month Period Ended Sept. 30, 2017 \$	Nine Month Period Ended Sept. 30, 2016 \$
General and administrative expenses					
Qualifying transaction costs		-	966	-	10,303
Legal and audit fees		31,010	5,250	33,090	12,900
Consulting		-	600	-	1,400
Listing and filing fees		1,500	1,250	3,000	4,568
Transfer agent fees		1,200	520	2,780	2,505
		<u>(33,710)</u>	<u>(8,585)</u>	<u>(38,870)</u>	<u>(31,675)</u>
Other income (expenses)					
Bank fees		<u>(19)</u>	<u>(18)</u>	<u>(57)</u>	<u>(95)</u>
Net income (loss) and comprehensive income (loss) for the period					
		<u>(33,729)</u>	<u>(8,603)</u>	<u>(38,927)</u>	<u>(31,770)</u>
Basic and diluted income (loss) per share					
	6	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$(0.02)</u>
Weighted average number of shares outstanding					
	6	<u>12,358,500</u>	<u>1,766,617</u>	<u>6,170,740</u>	<u>1,766,617</u>

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

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Condensed Interim Statements of Changes in Equity

(Unaudited - expressed in Canadian dollars)

	<u>Share Capital</u>		Contributed Surplus(\$)	Deficit(\$)	Total Shareholders ' Equity(\$)
	Number	Amount (\$)			
Balance, January 1, 2017	2,170,740	534,407	20,992	(969,393)	(413,994)
Issuance of commons shares	12,000,000	600,000	-	-	600,000
Net loss and comprehensive loss for the period	-	-	-	(38,927)	(38,927)
Balance, Sept. 30, 2017	14,170,740	1,134,407	20,992	(1,008,320)	147,079
Balance, January 1, 2016	2,170,740	534,407	20,992	(762,833)	(207,434)
Net loss and comprehensive loss for the period	-	-	-	(31,770)	(31,770)
Balance, Sept. 30, 2016	2,170,740	534,407	20,992	(794,603)	(239,204)

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Condensed Interim Statements of Cash Flows

For the nine months ended September 30

(Unaudited - expressed in Canadian dollars)

	2017 \$	2016 \$
Cash flows (used in) from operating activities		
Net income (loss) for the period	(38,927)	(31,770)
Items not affecting cash		
Share-based payments	-	-
	(38,927)	(31,770)
Changes in non-cash operating working capital		
Change in amounts receivable and deposits	19,841	1,304
Change in HST receivable	-	-
Change in accounts payable and accrued liabilities	(402,925)	(65,027)
Net cash (used in) from operating activities	(422,011)	(94,357)
Cash flows from investing activities	-	-
Cash flows from financing activities		
Issuance of common shares for cash	600,000	-
Change in cash for period	177,989	(94,357)
Cash - Beginning of period	19,178	119,203
Cash - End of period	197,167	24,846

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Notes to the Condensed Interim Financial Statements

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1 Nature of Operations and Future Operations

Corporate information

Black Birch Capital Acquisition III Corp. (the "Company") was incorporated pursuant to articles of incorporation dated September 24, 2012 under the Business Corporations Act (Ontario). The Company intends to carry on business as a "Capital Pool Corporation" ("CPC"), as this term is defined in the policies of the TSX Venture Exchange (the "Exchange"). As at September 30, 2017 the Company has no business operations and did not enter into any definitive agreements to acquire an interest in either a business or assets. The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The address of the Company's corporate office and principal place of business is 10 Pauline Avenue, Brooklin, Ontario, Canada.

The gross proceeds raised from the Company's Initial Public Offering may only be used to identify a Qualifying Transaction, with the exception that the lesser of 30% of the gross proceeds and \$210,000, may be used to cover prescribed costs of issuing the common shares in the capital of the Company (the "Common Shares") or administrative and general expenses of the Company.

Where an acquisition (the "Qualifying Transaction") 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. Under the policies of the Exchange, the Company was transferred to the NEX Board of the TSX ("NEX") when it failed to complete a Qualifying Transaction within the allowed time frame. Despite its move to the NEX, the Company must still follow the rules of Capital Pool Companies while it is on the NEX.

Going concern of operations and cancellation of planned qualifying transaction

The Company does not generate revenue from operations. The Company incurred net loss of \$38,927 during the nine months-ended September 30, 2017 (2016 - \$31,770) and, as of that date the Company's deficit was \$1,008,320 (2016 - \$794,603). The Company has a need for equity capital and financing for working capital and the completion of a Qualifying Transaction. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. Material uncertainties as described cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company has no revenues, its ability to continue as a going concern is dependent on obtaining additional financing and completing a Qualifying Transaction. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

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2 Basis of Presentation

These condensed interim consolidated 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, and in compliance with IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, 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 annual consolidated financial statements for the year ended December 31, 2016.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

On May 15, 2017 the Company consolidated its shares on a 3 for 1 basis. All share amounts have been restated to reflect this consolidation.

These financial statements were approved by the board of directors for use on November 29, 2017.

3 Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

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(Unaudited - expressed in Canadian dollars)

4 Share Capital

a) Authorized

An unlimited number of common shares without par value.

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at September 30, 2017.

b) Issued and outstanding

	Number of common shares	Amount \$
Balance – December 31, 2016	2,170,740	534,407
Issuance of commons shares in 2017 (i)(ii)	12,000,000	600,000
Balance – June 30, 2017	14,170,740	1,334,407

(i) On June 22, 2017, the Company completed a private placement and issued 6,563,280 shares at a price of \$0.05 per share for total proceeds of \$328,164.

(ii) On July 14, 2017, the Company completed a private placement and issued 5,436,720 shares at a price of \$0.05 per share for total proceeds of \$271,836.

c) Stock options

Stock option plan

The Company has established a stock option plan (the “Plan”) for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Awards may be granted for a maximum term of ten years from the date of grant.

(i) Changes in stock options

The Company’s stock options outstanding as at September 30, 2017 are as follows:

	Number of options	Weighted average price	Weighted average remaining contractual life (years)
Balance – December 31, 2016 and September 30, 2017	93,295	\$0.10	0.75

During the nine months ended September 30, 2017, the Company recorded share-based payments of \$Nil (2016

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- \$Nil) in respect of stock options granted.

(iii) Options outstanding at the end of the period

The following table summarizes information concerning outstanding and exercisable options at September 30, 2016:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
93,295	93,295	\$0.10	July 10, 2018

5 Related Party Transactions

As at September 30, 2017 the Company had no subsidiaries.

The Company's related parties consist of directors and officers or companies associated with them. As at June 30, 2017, included in accounts payable is approximately \$5,000 for expenses paid by a director on behalf of the Company. The amounts are unsecured, non-interest bearing.

Key management includes the Chief Executive Officer and the Chief Financial Officer. In accordance with Exchange policies for CPCs, no salaries or other benefits may be paid or accrued to key management.

6 Basic and Diluted Loss Per Share

The calculation of basic and diluted loss per share for the nine months ended September 30, 2017 and 2016 was based on the following:

	2017	2016
	\$	\$
Net income (loss) and comprehensive income (loss) for the period	(38,927)	(31,770)
Weighted average number of shares outstanding	6,170,740	1,766,617

At September 30, 2017 the calculation also excluded the effect of 93,295 (2016 – 93,295) options outstanding as they are anti-dilutive.

7 Segment Information

The Company's operations are limited to a single industry segment, being the identification, evaluation, and acquisition of assets, properties or businesses. All assets and liabilities of the Company are located in Canada.

8 Financial Instruments

Fair value of financial instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Cash is classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial

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liabilities. Both are measured at their amortized cost which approximates their fair value due to their short-term nature.

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As at September 30, 2017, the Company had no financial instruments measured at fair value and requiring classification in the hierarchy.

9 Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for a Qualifying Transaction, and limited exposure to credit and market risks. There have been no changes in the risks, objectives, policies and procedures from the previous year.

The types of risk exposure and the way in which such exposures are managed are as follows:

Concentration risk

Concentration risk exists in cash because all balances are maintained with one financial institution. This risk is mitigated by the fact that the bank is a Canadian chartered bank.

Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company believes its exposure to credit risk is not significant.

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 manages liquidity risk by attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

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a) Interest rate risk

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. None of the Company's financial instruments bear interest. Therefore, management considers this risk to be remote.

b) Foreign currency risk

Foreign currency risk is the risk of loss from fluctuation in foreign exchange rates. Since the Company's assets and liabilities are all denominated in Canadian dollars and its operations are all in Canada this risk is considered remote.

10 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to complete a Qualifying Transaction so that it can provide adequate returns for shareholders. 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. The Company defines capital as total equity. There were no changes in the Company's capital management strategy during the quarter ended September 30, 2017. The Company is not subject to any externally imposed capital requirements.

