

**POCML 5 INC.**  
**(A Capital Pool Corporation)**

**Financial Statements**

(in Canadian Dollars)

**For the Period from the Date of Incorporation (February 21, 2018)  
to December 31, 2018**

## **Independent Auditor's Report**

---

To the Shareholders of POCML 5 Inc.:

### **Opinion**

We have audited the financial statements of POCML 5 Inc. (the "Corporation") which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the period from February 21, 2018 (date of incorporation) to December 31, 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 Corporation as at December 31, 2018, and its financial performance and its cash flows for the period from February 21, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit 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 Corporation in accordance with the ethical requirements that are relevant to our audit 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 audit 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 audit 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 these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 entity'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 Corporation 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Brock Stroud.

Toronto, Ontario  
April 30, 2019

*MNP* LLP  
Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**POCML 5 INC.**  
**(A Capital Pool Corporation)**  
**Statement of Financial Position**  
**(in Canadian Dollars)**  
**As at December 31, 2018**

---

<b>As at</b>	December 31, 2018
<b>Current assets</b>	
Cash and cash equivalents	\$ 530,463
Interest receivable	294
<b>Total current assets</b>	<b>530,757</b>
<b>Current liabilities</b>	
Accounts payable & accrued liabilities	\$ 29,952
<b>Shareholders' equity</b>	
Share capital (note 3)	545,404
Contributed surplus	82,290
Accumulated deficit	(126,889)
<b>Total shareholders' equity</b>	<b>500,805</b>
<b>Total Liabilities and shareholders' equity</b>	<b>\$ 530,757</b>

*The accompanying notes are an integral part of these financial statements*

**Approved on Behalf of the Board:**

"David D'Onofrio" (signed)

**David D'Onofrio**  
**Director**

"Adam Parsons" (signed)

**Adam Parsons**  
**Director**

# POCML 5 INC.

(A Capital Pool Corporation)

## Statement of loss and comprehensive loss

(in Canadian Dollars)

**For the period from the date of incorporation (February 21, 2018) to December 31, 2018**

---

		Period from the date of incorporation (February 21, 2018) to December 31, 2018
Stock based compensation	\$	74,875
Professional fees		38,152
Filing fees		10,000
General and administration fees		3,862
Total expenses	\$	126,889
Net (loss) and comprehensive (loss)	\$	(126,889)
Net loss per share - basic and diluted	\$	(0.95)
Weighted average number of shares outstanding - basic and diluted		134,185

*The accompanying notes are an integral part of these financial statements*

# POCML 5 INC.

(A Capital Pool Corporation)

## Statement of Changes in Shareholders' Equity

(in Canadian Dollars)

**For the period from the date of incorporation (February 21, 2018) to December 31, 2018**

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Total share equity
<b>Balance at February 21, 2018</b>	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares (Note 3)	10,000,000	600,000	-	-	600,000
Share issuance costs		(54,596)	7,415	-	(47,181)
Stock based compensation		-	74,875	-	74,875
Net loss for the period		-	-	(126,889)	(126,889)
<b>Balance, December 31, 2018</b>	<b>10,000,000</b>	<b>\$ 545,404</b>	<b>\$ 82,290</b>	<b>\$ (126,889)</b>	<b>\$ 500,805</b>

*The accompanying notes are an integral part of these financial statements*

# POCML 5 INC.

(A Capital Pool Corporation)

## Statement of Cash Flows

(in Canadian Dollars)

**For the period from the date of incorporation (February 21, 2018) to December 31, 2018**

---

<b>Cash provided by/(used in)</b>	Period from the date of incorporation (February 21, 2018) to December 31, 2018
<b>Operating activities</b>	
Net loss for the period	\$ (126,889)
Adjustments for:	
Stock based compensation	74,875
Changes in working capital:	
Interest receivable	(294)
Accrued liabilities	29,952
<b>Financing Activities</b>	
Issuance of common shares	\$ 600,000
Share issuance costs	(47,181)
Net change in cash	530,463
Cash and cash equivalents beginning of period	-
Cash and cash equivalents end of period	\$ 530,463

*The accompanying notes are an integral part of these financial statements*

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

## 1. INCORPORATION AND NATURE OF BUSINESS

POCML 5 Inc. (the "Corporation") was incorporated under the Ontario Business Corporation Act on February 21, 2018 and is classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's-length transaction, of the majority of the minority shareholders.

The head office and the registered head office of the Corporation is located at 130 King Street West, Suite 2210, Toronto, Ontario M5X 1E4.

On April 30, 2019, the Board of Directors approved the financial statements for the period from Date of Incorporation (February 21, 2018) to December 31, 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### Basis of Presentation

The financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

### Loss Per Share

Basic loss per common share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares in escrow. Diluted loss per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding. 8,000,000 common shares were excluded from the calculation as they were contingently issuable and all conditions necessary for their issuance have not been satisfied (note 3).

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments

#### Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

#### Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash and cash equivalents are classified as assets at fair value and any period change in fair value is recorded in profit or loss.

#### Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, 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.

Cash and cash equivalents are level 1 financial instruments measured at fair value on the statement of financial position.

### Stock-based Compensation

The Corporation accounts for all stock-based compensation awarded to directors and officers and non-employees using the fair value method. Under this method, cost is measured at the grant date at fair value using an option pricing model that takes into account the exercise price, the expected life of the option, the current price of the underlying stock, the expected volatility, the expected dividends and the risk-free interest rate for the expected term of the option. The compensation cost will be expensed in the statement of loss and comprehensive loss over the service period, that is the vesting period for directors and officers and over the performance period for awards provided to non-employees in exchange for goods and services.

### Share Issuance Costs

Share issuance costs relate to expenditures incurred in connection with the Corporation's share issuance (note 3) and are charged against share capital.

### Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of operations and comprehensive income.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Estimates

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

### Cash and cash equivalents

Cash and cash equivalents include cash held in financial institutions and funds held in a money market fund.

## 3. SHARE CAPITAL

### Authorized

Unlimited number of common shares  
Unlimited number of special shares

### Issued

	<b>Number of Shares</b>		<b>Amount</b>
Issuance of common shares	10,000,000	\$	600,000
Share issuance costs			(54,596)
<b>Balance at December 31, 2018</b>	<b>10,000,000</b>	<b>\$</b>	<b>545,404</b>

### Escrowed Shares

On August 30, 2018, the Corporation issued 8,000,000 common shares at \$0.05 per share for total proceeds of \$400,000.

The issued and outstanding common shares are held in escrow pursuant to the requirements of the Exchange. 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

### 3. SHARE CAPITAL (continued)

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, are also deposited in escrow until the final exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

#### Initial Public Offering

On December 10, 2018, the Corporation completed its initial public offering (the "Offering") of 2,000,000 common shares at a purchase price of \$0.10 per common share for aggregate gross proceeds of \$200,000. The Corporation paid cash share issuance costs of \$47,181 and granted the 140,000 compensation warrants to purchase common shares for a period ending twenty-four months from the date the Corporation's common shares are listed on the TSX Venture Exchange.

#### Contributed Surplus

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are nontransferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire one year thereafter.

The following table reflects the continuity of stock options and warrants:

	Number of stock options and compensation warrants	Weighted average exercise price (\$)
February 21, 2018	-	-
Granted compensation warrants (i)	140,000	\$0.10
Granted to directors and officers (ii)	1,000,000	\$0.10
<b>Balance, December 31, 2018</b>	<b>1,140,000</b>	<b>\$0.10</b>

- i. On December 10, 2018, the Corporation granted 140,000 compensation warrants to the Agent, which are exercisable at an exercise price of \$0.10 per share for a period of 24 months following the date that the common shares are listed on the Exchange. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price \$0.10, dividend yield 0%, risk-free interest rate of 1.860%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$7,415.

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

## 3. SHARE CAPITAL (continued)

- ii. On December 10, 2018, the Corporation granted 1,000,000 options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price \$0.10, dividend yield 0%, risk-free interest rate of 1.880%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$74,875. The options vested immediately.

The following table reflects the actual options and warrants issued and outstanding as of December 31, 2018:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options and Warrants Outstanding	Number of Options and Warrants Vested (Exercisable)
December 10, 2020	\$0.10	1.95	140,000	140,000
December 10, 2023	\$0.10	4.95	1,000,000	1,000,000
	\$0.10	4.58	1,140,000	1,140,000

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

### Capital management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

### Risk disclosures and fair values

The Corporation's financial instruments, consisting of cash and cash equivalents and accounts payable and accrued liabilities approximate fair value due to the relatively short term maturities of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

# POCML 5 INC.

Notes to Financial Statements  
(a Capital Pool Corporation)  
(in Canadian Dollars)

For the Period from the date of incorporation (February 21, 2018) to December 31, 2018

---

## 5. RELATED PARTY TRANSACTIONS

Key management personnel received \$74,875 (2017 - \$nil) of stock based compensation during the period ended December 31, 2018.

## 6. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% and the Corporation's effective income tax expense is as follows:

		<b>2018</b>
<b>Net loss for the period</b>	<b>\$</b>	126,889
Expected income tax recovery		(33,626)
Non deductible		19,842
Share issuance costs		(12,503)
Deferred tax assets not recognized		26,287
<b>Income taxes recovery</b>	<b>\$</b>	<b>-</b>

At December 31, 2018, the Corporation has non – capital losses for income tax purposes of approximately \$56,732 which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income until 2038.

The Corporation has not recorded deferred tax assets related to these unused carry forward losses as it is not probable that future taxable profits will be available against which these can be deducted.