

**Avanco Capital Corp.**  
A Capital Pool Company  
FINANCIAL STATEMENTS  
April 30, 2017

## Independent Auditors' Report

To the Shareholders of Avanco Capital Corp.:

We have audited the accompanying financial statements of Avanco Capital Corp., which comprise the statements of financial position as at April 30, 2017 and April 30, 2016, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended April 30, 2017 and for the period from April 6, 2016, the date of inception, to April 30, 2016, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Avanco Capital Corp. as at April 30, 2017 and April 30, 2016 and its financial performance and its cash flows for the year ended April 30, 2017 and for the period from April 6, 2016, the date of inception, to April 30, 2016 in accordance with International Financial Reporting Standards.

Vancouver, British Columbia  
August 24, 2017

  
Chartered Professional Accountants

**Avanco Capital Corp.**  
(A Capital Pool Company)  
Statements of Financial Position  
(Expressed in Canadian dollars)

|   | <b>April 30,<br/>2017</b> | <b>April 30,<br/>2016</b> |
|---|---------------------------|---------------------------|
| <b>Assets</b>                                     |                           |                           |
| <b>Current</b>                                    |                           |                           |
| Cash  | \$ 385,892                | \$ 87,644                 |
| GST receivables                                   | 3,048                     | -                         |
| Prepaid expenses                                  | -                         | 11,325                    |
| <b>Total Assets</b>                               | <b>\$ 388,940</b>         | <b>\$ 98,969</b>          |
| <b>Liabilities and Shareholders' Equity</b>       |                           |                           |
| <b>Current</b>                                    |                           |                           |
| Accounts payable and accrued liabilities          | \$ 11,438                 | \$ 6,500                  |
| <b>Shareholders' Equity</b>                       |                           |                           |
| Share capital (note 3)                            | 394,145                   | 105,000                   |
| Reserves  | 196,162                   | -                         |
| Deficit   | (212,805)                 | (12,531)                  |
| <b>Total Shareholders' Equity</b>                 | <b>377,502</b>            | <b>92,469</b>             |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 388,940</b>         | <b>\$ 98,969</b>          |

Date of approval: August 24, 2017

*(signed) "Joanne Yan"*

Director

*(signed) "Sidney Dutchak"*

Director

The accompanying notes are an integral part of these financial statements

**Avanco Capital Corp.**  
(A Capital Pool Company)  
Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

|   | Year Ended<br>April 30, 2017 | From Date of<br>Inception to<br>April 30, 2016 |
|---|------------------------------|--|
| <b>Expenses</b>   |                              |  |
| General & administrative expenses                           | \$ 1,896                     | \$ 91  |
| Professional fees   | 39,818                       | 9,300  |
| Share-based payment (note 3(c))                             | 131,447                      | -  |
| Transfer agent and filing fees                              | 27,113                       | 3,140  |
| <b>Net loss and comprehensive loss for the period</b>       | <b>\$ 200,274</b>            | <b>\$ 12,531</b>                               |
| <b>Loss per share:</b>                                      |                              |  |
| Basic and diluted   | \$ (0.08)                    | \$ (0.02)                                      |
| <b>Weighted average number of common shares outstanding</b> |                              |  |
| Basic and diluted   | 2,643,287                    | 787,501  |

The accompanying notes are an integral part of these financial statements

**Avanco Capital Corp.**  
 Statements of Changes in Equity  
 (Expressed in Canadian dollars)

|   | Number<br>of Shares | Share<br>Capital  | Reserves          | Deficit             | Total             |
|---|---------------------|-------------------|-------------------|---------------------|-------------------|
| <b>Balance, April 6, 2016 (Date<br/>of Inception)</b> | -                   | \$ -              | \$ -              | \$ -                | \$ -              |
| Shares issued for cash                                | 2,100,000           | 105,000           | -                 | -                   | 105,000           |
| Net loss for the period                               | -                   | -                 | -                 | (12,531)            | (12,531)          |
| <b>Balance, April 30, 2016</b>                        | <b>2,100,000</b>    | <b>\$ 105,000</b> | <b>\$ -</b>       | <b>\$ (12,531)</b>  | <b>\$ 92,469</b>  |
| Repurchased and cancelled<br>seed shares              | (100,000)           | \$ (5,000)        | \$ -              | \$ -                | \$ (5,000)        |
| Shares issued for cash                                | 4,800,000           | 440,000           | -                 | -                   | 440,000           |
| Shares issuance cost                                  | -                   | (145,855)         | 64,715            | -                   | (81,140)          |
| Share-based payment (Note<br>3(c))                    | -                   | -                 | 131,447           | -                   | 131,447           |
| Net loss for the year                                 | -                   | -                 | -                 | (200,274)           | (200,274)         |
| <b>Balance, April 30, 2017</b>                        | <b>6,800,000</b>    | <b>\$ 394,145</b> | <b>\$ 196,162</b> | <b>\$ (212,805)</b> | <b>\$ 377,502</b> |

The accompanying notes are an integral part of these financial statements

**Avanco Capital Corp.**  
 Statements of Cash Flows  
 (Expressed in Canadian dollars)

|   | Year Ended<br>April 30, 2017 | From Date of<br>Inception to<br>April 30, 2016 |
|---|------------------------------|--|
| <b>Operating activities</b>                         |                              |  |
| Net loss for the period                             | \$ (200,274)                 | \$ (12,531)                                    |
| Adjustment for non-cash item                        |                              |  |
| Share-based payment                                 | 131,447                      | -  |
| Net change in non-cash working capital              |                              |  |
| GST receivables                                     | (3,048)                      | -  |
| Prepaid expenses                                    | 8,185                        | (11,325)                                       |
| Accounts payable and accrued liabilities            | 4,938                        | 6,500  |
| <b>Cash used in operating activities</b>            | <b>(58,752)</b>              | <b>(17,356)</b>                                |
| <b>Financing activities</b>                         |                              |  |
| Share issued for cash (net of share issuance costs) | 362,000                      | 105,000  |
| Repurchase of shares                                | (5,000)                      | -  |
| <b>Cash from financing activities</b>               | <b>357,000</b>               | <b>105,000</b>                                 |
| Net change in cash                                  | 298,248                      | 87,644   |
| Cash, beginning of period                           | 87,644                       | -  |
| <b>Cash, end of period</b>                          | <b>\$ 385,892</b>            | <b>\$ 87,644</b>                               |

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS

Avanco Capital Corp. (the “Company”) was incorporated on April 6, 2016 under the *Business Corporations Act* (British Columbia). On March 22, 2017, the Company is listed as a capital pool company (“CPC”) as defined by the policy 2.4 (the “CPC policy”) of the TSX Venture Exchange (the “TSX-V” or “Exchange”). On March 24, 2017, the Company’s common shares effectively commenced trading on the TSX Venture Exchange under the symbol "AAA.P".

The Company’s principal business activity will be the identification and evaluation of assets, or businesses with the objective of completing a qualifying transaction (a “Qualifying Transaction”) as defined by the CPC Policy. Under these rules, a Qualifying Transaction must be entered into within 24 months of listing otherwise the Company will, subject to certain conditions, have its listing moved to the NEX board of the Exchange.

The Company has not generated any revenues and has incurred accumulated losses of \$212,805 since inception. The Company’s continued existence and plans for future growth depend on its ability to obtain additional capital. The Company's ability to raise capital cannot be determined at this time.

|                 | <b>April 30, 2017</b> | <b>April 30, 2016</b> |
|-----------------|-----------------------|-----------------------|
| Deficit         | \$ (212,805)          | \$ (12,531)           |
| Working capital | \$ 377,502            | \$ 92,469             |

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize on the carrying value of its net assets and discharge its obligations in the normal course of operations. The Company’s continuing operations as intended are dependent upon the Company’s ability to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business, which is considered a Qualifying Transaction. Such an acquisition will be subject to regulatory approval and may be also subject to shareholder approval. In the case of a non-arm’s length transaction (as defined in the CPC Policy) a majority of the minority shareholder approval must also be obtained in accordance with the CPC Policy. Should the Company fail to complete such a transaction within the timeline stipulated in the CPC Policy, its ability to raise sufficient financing to maintain operations may be impaired and accordingly the Company may be unable to realize on the carrying value of its net assets.

The head office, principal address and registered and records office of the Company are located at 2110, 28<sup>th</sup> Street, West Vancouver, BC, V7V 4M3.

The financial statements of the Company for the year ended April 30, 2017 were authorized for issue in accordance with a resolution of the directors on August 24, 2017.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Boards (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee.

### **Basis of preparation**

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Company and all values are rounded to the nearest dollar.

### **Significant Accounting Judgments and Estimates**

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. 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.

Significant areas where management’s estimates and judgments have been applied include:

#### Estimates and assumptions

##### *i) Deferred taxes*

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.



**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Significant Accounting Judgments and Estimates** (continued)

Estimates and assumptions (continued)

*ii) Share based payments*

Share based payments are based upon expected volatility, life of options and forfeiture rates that require management's estimations.

Judgments

*Going concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its working capital requirements.

**Cash**

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

The proceeds raised from the issuance of share capital and from the initial public offering (the "Offering") (Note 3(a)) may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of \$210,000 or 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial Instruments**

#### ***Financial assets***

Financial assets are classified into one of four categories:

- a) Fair value through profit or loss (“FVTPL”);
- b) Held-to-Maturity (“HTM”);
- c) Loans and receivables; and
- d) Available for sale (“AFS”).

#### *Financial assets at fair value through profit or loss (“FVTPL”)*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss. The Company classified its cash as FVTPL which is measured at fair value.

#### *Held to maturity (“HTM”)*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

#### *Available for sale (“AFS”)*

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial Instruments** (continued)

#### **Financial liabilities**

Financial liabilities are classified into one of two categories:

- a) Fair value through profit or loss; and
- b) Other financial liabilities

#### *Fair value through profit or loss*

This category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with the changes in fair value recognized in the statements of loss and comprehensive loss.

#### *Other financial liabilities*

This category includes accounts payable and accrued liabilities, which is recognized at amortized cost.

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Capital Disclosures**

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by the management and approved by the board of directors.

The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern;
- b) to facilitate the completion of a corporate objectives.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. As disclosed previously, there are restrictions on the use of cash.

### **Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

### **Basic and Diluted Loss Per Share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### **Income Taxes**

The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse,

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Income Taxes (continued)**

based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **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. 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.

### **Share-Based Payment Transactions**

The stock option plan allows Company directors, officers and technical consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period. Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received.

However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee receives the goods or the services.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Adoption of New Accounting Standards**

Effective May 1, 2016, the Company adopted the following standard:

#### **IAS 1 – Presentation of Financial Statements**

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. The adoption of this standard did not have an impact on our financial statements.

### **Accounting Standards Issued But Not yet Effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

#### **(i) IFRS 9 Financial Instruments**

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- **Classification and measurement** - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment** - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting** - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition** - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Accounting Standards Issued But Not yet Effective** (continued)

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company does not anticipate this amendment to have a significant impact on its financial statements.

**3. SHARE CAPITAL**

Authorized: Unlimited common shares without par value

**(a) Common Shares**

The Company issued 2,100,000 seed shares at \$0.05 per share for total proceeds of \$105,000 on April 21, 2016.

In May 2016, the Company repurchased and cancelled 100,000 seed shares at \$0.05 per share.

In November and December 2016, the Company further issued 800,000 seed shares at \$0.05 per share.

In accordance with the requirements of the TSX-V, all issued seed shares will be deposited in escrow pursuant to the terms of the Escrow Agreement, the form of which is prescribed by TSX-V, and will be released from escrow in stages over a period of up to three years after the date of Final Exchange Bulletin (issued for the completion of the Qualifying Transaction).

In the event the Company becomes a Tier 2 issuer in accordance with the CPC policy of the TSX-V, the release of the common shares in escrow is as follows:

| Release Dates                                   | Percentage of Total Escrowed Securities to be Released | Total number of Escrowed Securities to be Released |
|---|--|--|
| Date of Final Exchange Bulletin                 | 10%  | 288,000  |
| 6 months following the Final Exchange Bulletin  | 15%  | 432,000  |
| 12 months following the Final Exchange Bulletin | 15%  | 432,000  |
| 18 months following the Final Exchange Bulletin | 15%  | 432,000  |
| 24 months following the Final Exchange Bulletin | 15%  | 432,000  |
| 30 months following the Final Exchange Bulletin | 15%  | 432,000  |
| 36 months following the Final Exchange Bulletin | 15%  | 432,000  |
| <b>TOTAL</b>                                    | <b>100%</b>  | <b>2,880,000</b>                                   |

**Avanco Capital Corp.**  
(A Capital Pool Company)  
Notes to the Financial Statements  
For the year ended April 30, 2017

**3. SHARE CAPITAL** (continued)

**(a) Common Shares** (continued)

In the event the Company becomes a Tier 1 issuer in accordance with the policies of the Exchange, the release of the common shares in escrow is as follows:

| Release Dates                                   | Percentage of Total Escrowed Securities to be Released | Total number of Escrowed Securities to be Released |
|---|--|--|
| Date of Final Exchange Bulletin                 | 25%  | 720,000  |
| 6 months following the Final Exchange Bulletin  | 25%  | 720,000  |
| 12 months following the Final Exchange Bulletin | 25%  | 720,000  |
| 18 months following the Final Exchange Bulletin | 25%  | 720,000  |
| <b>TOTAL</b>                                    | <b>100%</b>  | <b>2,880,000</b>                                   |

On March 22, 2017, the Company closed its initial public offering of 4,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$400,000. In connection with the offering and pursuant to the agency agreements signed by the Company, a total amount of \$68,000 was paid to the agents as the share issuance costs. The Company also granted the agent warrants to purchase up to 400,000 common shares of the Company at a price of \$0.10 per share with expiry date of March 24, 2019.

**(b) Agent Warrants**

The following is a summary of agents' warrant transactions for the year ended April 30, 2017 and from date of inception to April 30, 2016:

|  | Weighted Number of Agents' Warrants | Average Exercise Price |
|--|-------------------------------------|------------------------|
| Balance, April 30, 2016 and inception date | -                                   | \$ -                   |
| Issued                                     | 400,000                             | 0.10                   |
| Balance, April 30, 2017                    | 400,000                             | \$ 0.10                |



**Avanco Capital Corp.**  
(A Capital Pool Company)  
Notes to the Financial Statements  
For the year ended April 30, 2017

---

**3. SHARE CAPITAL** (continued)

**(b) Agent Warrants** (continued)

The following agents' warrants were outstanding and exercisable as at April 30, 2017:

| <b>Expiry Date</b> | <b>Number of Agents' Warrants</b> | <b>Exercise Price</b> |
|--------------------|-----------------------------------|-----------------------|
| March 24, 2019     | 400,000                           | \$ 0.10               |

**(c) Incentive Stock Options**

On March 22, 2017, the Company granted Incentive Stock Options to its directors and officers to purchase up to 680,000 common shares exercisable at \$0.10 per share expiring on March 22, 2027. These stock options vested immediately.

A summary of stock options outstanding and exercisable as at April 30, 2017 and April 30, 2016 are as follows:

|                         | <b>Number of<br/>Options<br/>Outstanding<br/>&amp;<br/>Exercisable</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted Average<br/>Remaining<br/>Contractual Life<br/>(Years)</b> |
|-------------------------|--|--|--|
| Balance, April 30, 2016 | -  | -  | -  |
| Stock options granted   | 680,000  | \$0.10   | 9.90   |
| Balance, April 30, 2017 | 680,000  | \$0.10   | 9.90   |

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the fair value of the Company's stock options.

**3. SHARE CAPITAL** (continued)

**(c) Incentive Stock Options** (continued)

The fair value of the options granted during the year determined using the Black-Scholes option-pricing model was with the following assumptions:

|                          | <b>April 30, 2017</b> | <b>April 30, 2016</b> |
|--------------------------|-----------------------|-----------------------|
| Risk-free interest rate  | 1.68%                 | -                     |
| Dividend yield           | -                     | -                     |
| Estimated expected lives | 10 years              | -                     |
| Forfeiture rate          | -                     | -                     |
| Volatility               | 122.68%               | -                     |

The Company recorded share-based payment expense of \$131,447 (2016: \$Nil) in the statements of loss and comprehensive loss.

**4. FINANCIAL RISK MANAGEMENT**

*Overview*

The Company has exposure to credit risk, liquidity risk and foreign exchange risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

*(a) Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits its exposure to credit risk on liquid financial assets through investing its cash with high credit quality financial institutions. Management believes that the Company is subject to minimal credit risk.

#### **4. FINANCIAL RISK MANAGEMENT** (continued)

*(b) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash is currently deposited in the accounts with high-credit quality financial institutions which is available on demand by the Company. As at April 30, 2017, the Company has accounts payable and accrued liabilities of \$11,438 (2016: 6,500). Management intends to meet the financial obligations by raising funds through the completion of the Initial Public Offering.

*(c) 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. The Company does not have exposure to interest rate fluctuation because all of its funds is deposited in chequing account as of April 30, 2017.

*(d) Capital management*

The Company's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

#### **5. FINANCIAL INSTRUMENTS**

As at April 30, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities. The fair values of cash, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

**Avanco Capital Corp.**  
(A Capital Pool Company)  
Notes to the Financial Statements  
For the year ended April 30, 2017

---

**6. RELATED PARTY TRANSACTIONS**

During the period ended April 30, 2016, 2,100,000 seed shares were purchased by three directors at \$0.05 per share, and 100,000 shares were cancelled in 2016. These shares are deposited in escrow.

During the year ended April 30, 2017, 100,000 seed shares were purchased by an officer at \$0.05 per share. These shares are deposited in escrow.

During the year ended April 30, 2017, 680,000 stock options were granted to three directors of the Company.

During the year ended April 30, 2017, legal fees of \$11,500 were incurred with respect to the Company's law firm which is solely owned by the Corporate Secretary of the Company.

**7. INCOME TAXES**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the year ended April 30, 2017 and for the period from inception on April 6, 2016 to April 30, 2016:

|   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Net loss before tax                         | (200,274)   | (12,531)    |
| Statutory tax rate                          | 26%         | 26%         |
| Expected income tax (recovery)              | (52,071)    | (3,258)     |
| Non-deductible items                        | 34,181      | -           |
| Change in deferred tax asset not recognized | 17,890      | 3,258       |
| Total income tax expense (recovery)         | -           | -           |

The unrecognized deductible temporary differences as at April 30, 2017 and 2016 are comprised of the following:

|   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Non-capital losses carryforwards (Canada)           | 84,444      | 12,531      |
| Share issuance costs                                | 76,462      | -           |
| Eligible capital property                           | 1,177       | -           |
| Total unrecognized deductible temporary differences | 162,083     | 12,531      |

**Avanco Capital Corp.**

(A Capital Pool Company)

Notes to the Financial Statements

For the year ended April 30, 2017

---

**7. INCOME TAXES** (continued)

The Company has non-capital loss carryforwards of approximately \$84,444 (2016: \$12,531) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| <u>Expiry</u> | <u>\$</u>     |
|---------------|---------------|
| 2035          | 10,961        |
| 2036          | 66,678        |
| 2037          | 6,805         |
| <u>Total</u>  | <u>84,444</u> |