# PRIME CITY ONE CAPITAL CORP.

## UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
## THREE MONTHS ENDED MARCH 31, 2020 AND 2019

**(In Canadian Dollars)**

**PRIME CITY ONE CAPITAL CORP.**

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## NOTICE TO READER

The accompanying consolidated interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these consolidated financial statements.

Toronto, Canada

May 26, 2020

**PRIME CITY ONE CAPITAL CORP.**

## CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(In Canadian Dollars)



| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current assets | | |
| Cash | 23,434 | 36,237 |
| Harmonized sales taxes recoverable | 17,654 | 16,590 |
| Total assets | 41,088 | 52,827 |
| | | |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 59,580 | 62,752 |
| Total liabilities | 59,580 | 62,752 |
| | | |
| **SHAREHOLDERS' DEFICIT** | | |
| Share capital (Note 3) | 5,625,543 | 5,625,543 |
| Contributed surplus | 364,670 | 364,670 |
| Deficit | (6,008,705) | (6,000,138) |
| Total shareholders' deficit | (18,492) | (9,925) |
| Total liabilities and shareholders' deficit | 41,088 | 52,827 |

**ON BEHALF OF THE BOARD**

Signed *"Vishy Karamadam"*, Director

Signed *"Graham Simmonds"*, Director

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

**PRIME CITY ONE CAPITAL CORP.**

## CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In Canadian Dollars)



| | Three Months Ended March 31 | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Expenses | | |
| General and administrative | 8,567 | 24,848 |
| | 8,567 | 24,848 |
| Net loss for the period | (8,567) | (24,848) |
| Basic and diluted loss per share | (0.001) | (0.002) |
| Weighted average number of shares outstanding | | |
| - basic and diluted | 12,202,010 | 11,075,375 |

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

## PRIME CITY ONE CAPITAL CORP.

## CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN DEFICIT

(In Canadian Dollars)



| | Common Shares | Share Capital | Warrants | Contributed Surplus | Deficit | Total Shareholders' Deficit |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| **Balance - December 31, 2018** | 5,864,688 | 5,118,557 | 38,653 | 326,017 | (5,917,144) | (433,917) |
| Net loss | | | | | (24,848) | (24,848) |
| Shares for debt | 6,337,322 | 506,986 | | | | 506,986 |
| **Balance - March 31, 2019** | 12,202,010 | 5,625,543 | 38,653 | 326,017 | (5,941,992) | 48,221 |
| | | | | | | |
| **Balance - December 31, 2019** | 12,202,010 | 5,625,543 | - | 364,670 | (6,000,138) | (9,925) |
| Net loss | | | | | (8,567) | (8,567) |
| **Balance - March 31, 2020** | 12,202,010 | 5,625,543 | - | 364,670 | (6,008,705) | (18,492) |

**PRIME CITY ONE CAPITAL CORP.**

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
(In Canadian Dollars)



| | Three Months Ended March 31 | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Operating Activities** | | |
| Net loss for the period | (8,567) | (24,848) |
| Changes in non-cash operating working capital: | | |
| Harmonized sales taxes recoverable | (1,064) | (4,320) |
| Accounts payable and accrued liabilities | (3,172) | 401 |
| Net cash used in operating activities | (12,803) | (28,767) |
| **Change in cash** | (12,803) | (28,767) |
| **Cash - beginning of period** | 36,237 | 88,359 |
| **Cash - end of period** | 23,434 | 59,592 |

## 1. NATURE OF BUSINESS AND GOING CONCERN

Prime City One Capital Corp. (the "Company" or "Prime City One") was incorporated under the *Business Corporations Act* (Ontario) on September 2, 2004. The Company is currently reviewing several alternative business plans and fully intends to pursue a change of business.

The Company's shares are currently listed on the NEX under the Symbol "PMO.H". The head office, principal address and records office of the Company are located at 333 Bay Street, Suite 1700, Toronto, Ontario, M5H 2R2.

The consolidated financial statements of the Company have been prepared by management on the assumption that the Company will continue as a going concern which presumes that it will be able to realize its assets and discharge its obligations in the normal course of business for the foreseeable future. However, material uncertainty related to conditions and events exist which may cast significant doubt on the Company's ability to continue as a going concern, which include current operating losses, working capital deficiencies and negative cash flows from operations. Management believes that the future success of the Company depends primarily upon its ability to raise future capital to develop a comprehensive business plan. While the Company is using its best efforts to achieve its business plans by exploring further financing opportunities, there is no assurance that the Company will be successful in obtaining acceptable financing. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary in the event that the Company is unable to continue as a going concern. Such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of Compliance

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, using the same basis of presentation and accounting policies as described in the Company's audited financial statements for the year ended December 31, 2019. These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been authorized for issue by the Board of Directors on May 26, 2020.

### (b) Basis of Presentation

These consolidated financial statements were prepared under the historical basis and presented in Canadian dollars which is the Company's functional currency.

### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary, BDE Equities Inc. Intercompany transactions and balances are eliminated on consolidation.

### (d) Critical Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Critical Accounting Estimates and Judgments (Continued)

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

***Allowance for expected credit losses***

IFRS 9 introduces an expected credit loss ("ECL") impairment model applicable to all debt instruments within financial assets classified as amortized cost or fair value through other comprehensive income ("FVTOCI"), as well as certain off-balance sheet loan commitments. Prior to January 1, 2018, credit losses were recognized under an incurred loss model. The IFRS 9 ECL approach has three stages: Stage 1 – the credit risk has not increased significantly since initial recognition such that an allowance for credit loss is recognized and maintained equal to 12 months of expected credit loss; Stage 2 – the credit risk has increased significantly since initial recognition, and the allowance for credit loss is increased to cover full lifetime expected credit loss; and Stage 3 – a financial asset is considered credit-impaired and the allowance for credit loss continues to be the full lifetime expected credit loss, with interest revenue calculated on the carrying amount (net of the allowance for credit loss), rather than the gross carrying value of the financial assets.

The Company assesses on a forward-looking basis the ECL assoicated with its assets carried at amortized cost, including its advances due from related party, and harmonized sales tax receivable. The Company calculates the ECL with the assumptions regarding the default events over the following twelve months, or default events over the lifetime if there has been a significant increase in the credit risk on the instrument.

***Going Concern***

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events, whose subsequent changes would materially impact the validity of such an assessment.

### (e) Other Significant Accounting Policies

**Financial Instruments**

The Company's financial instruments are classified into one of the following categories: financial assets measured at fair value through profit or loss ("FVTPL"), financial assets measured at fair value through other comprehensive income ("FVTOCI"), or financial assets measured at amortized cost, the financial liabilities measured at FVTPL and financial liabilities measured at amortized cost. The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded based on the underlying purpose of the instrument.

***Financial Assets***

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

i) Financial assets measured at FVTPL – Financial assets measured at FVTPL are initially recorded at fair value with all transaction costs expensed in the consolidated statement of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset measured at FVTPL are included in profit or loss in the period in which they arise.

ii) Financial assets measured at FVTOCI – Investments in equity instruments as FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

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

**(e) Other Significant Accounting Policies** (Continued)

iii) Financial assets measured at amortized cost – Financial assets measured at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

***Financial Liabilities***

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

i) Financial liabilities measured at FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. Financial liabilities measured at FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

ii) Financial liabilities measured at amortized cost – All other financial liabilities except financial liabilities measured at FVTPL.

***Classification of Financial Instruments***

IFRS 7, Financial instruments: disclosures, establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's financial instruments consist of the following:

| Financial Instrument | Classification under IAS 39 | Classification under IFRS 9 |
|---|---|---|
| Cash | FVTPL | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |

The fair value of all the Company's financial instruments approximates their carrying values due to their short term nature.

Financial assets and financial liabilities are offset, and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

There was no movement between different Levels for the period ended March 31, 2020 and 2019.

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

**(e) Other Significant Accounting Policies** (Continued)

**Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**3. SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares. As at March 31, 2020, the Company has 12,202,010 common shares issued and outstanding (December 31, 2019 – 12,202,010).

On January 16, 2019, the Company completed a shares for debt transaction with Gravitas Financial Inc. ("Gravitas"), a shareholder of the Company, where the Company issued an aggregate of 6,337,322 common shares of the Company at a deemed price of $0.08 per common share to Gravitas in settlement of all amounts owing to Gravitas under existing loans in the aggregate amount of $506,986.

**4. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its general and administrative expenses, working capital and overall capital expenditures. 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 considers its capital to consist of share capital, contributed surplus and deficit which amounts to ($18,492) as at March 31, 2020 (December 31, 2019 – ($9,925)).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended March 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

## 5. RELATED PARTY TRANSACTIONS

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accounts payable and accrued liabilities includes management and administration fee payable of $32,825 (December 31, 2019 - $38,475) to the Company's officers.

**Key Management Personnel Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management. Management fees of $Nil for the Company's CEO (2019 - $15,000) and $3,750 for the Company's CFO were incurred during the period ended March 31, 2020 (2019 - $3,750).

## 6. FINANCIAL INSTRUMENTS

**General objectives, policies, and processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

**Credit risk**

The Company's credit risk is primarily attributable to cash and other receivables. The allowance for doubtful accounts is $Nil for the three months ended March 31, 2020 and 2019. Management believes that credit risk concentration with respect to financial instruments included in current assets is remote.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, the Company had a cash balance of $23,434 (December 31, 2019 - $36,237) and short-term accounts payable and accrued liabilities of $59,580 (December 31, 2019 - $62,752). Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will obtain loans from shareholders and/or directors if required to fund short term operations and is currently using its best efforts to achieve its business plans by exploring further financing opportunities.