

**Please note that this is a revised Amended and Restated Preliminary Prospectus dated December 22, 2016 as the Financial Statements were not attached to the previous version.**

*A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Alberta, British Columbia and Saskatchewan and with the TSX Venture Exchange Inc. but has not yet become final for the purposes of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

William Eilers, a Director of the Company resides outside of Canada. Mr. Eilers has appointed TingleMerrett LLP at 1250, 639 – 5<sup>th</sup> Ave. SW, Calgary, Alberta T2P 0M9 as agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS DATED DECEMBER 22, 2016, AMENDING  
AND RESTATING THE PRELIMINARY PROSPECTUS DATED DECEMBER 6, 2016**

**Initial Public Offering**

**December 22, 2016**

**HARBOUR STAR CAPITAL INC.**  
**(a capital pool company)**

**Minimum Offering: \$275,000 (2,750,000 common shares)**

**Maximum Offering: \$750,000 (7,500,000 common shares)**

**Price: \$0.10 per Offered Share**

Harbour Star Capital Inc. (the "**Corporation**") hereby offers on a commercially reasonable efforts basis through its agent, Chippingham Financial Group Limited (the "**Agent**"), a minimum of 2,750,000 common shares (the "**Minimum Offering**") and a maximum of 7,500,000 common shares (the "**Maximum Offering**"), in the capital of the Corporation (the "**Offered Shares**"), at a price of \$0.10 per Offered Share (the Minimum Offering and the Maximum Offering together referred to as the "**Offering**"), for aggregate gross proceeds of a minimum of \$275,000 and a maximum of \$750,000. This Offering is offered only in the provinces of Alberta, British Columbia and Saskatchewan and in such other jurisdictions where the Offered Shares may be sold without requirement for registration or filing of a prospectus (the "**Offering Jurisdictions**"). The purpose of the Offering is to provide the Corporation with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction, as hereinafter defined. Any proposed Qualifying Transaction must be approved by the TSX Venture Exchange Inc. (the "**Exchange**") and, in the case of a Non-Arm's Length Qualifying Transaction, as hereinafter defined, must also receive Majority of the Minority Approval, as hereinafter defined, in accordance with Policy 2.4 of the Exchange (the "**CPC Policy**"). The Corporation is a Capital Pool Company ("**CPC**"). It has not commenced commercial operations and has no assets other than a minimum amount of cash. Except as specifically contemplated in the CPC Policy, until the Completion of the Qualifying Transaction, as hereinafter defined, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualifying Transaction. See "*Business of the Corporation*" and "*Use of Proceeds*".

|                                    | <b>Offered<br/>Shares</b> | <b>Price to<br/>Public</b> | <b>Agent's<br/>Commission<sup>(2)</sup></b> | <b>Net Proceeds to the<br/>Corporation<sup>(3)(4)</sup></b> |
|------------------------------------|---------------------------|----------------------------|---------------------------------------------|-------------------------------------------------------------|
| Per Offered Share <sup>(1)</sup>   | 1                         | \$0.10                     | \$0.01                                      | \$0.09                                                      |
| Minimum Offering <sup>(3)(4)</sup> | 2,750,000                 | \$275,000                  | \$27,500                                    | \$247,500                                                   |
| Maximum Offering <sup>(3)(4)</sup> | 7,500,000                 | \$750,000                  | \$75,000                                    | \$675,000                                                   |

**Notes:**

- (1) Pursuant to the Agency Agreement (as hereinafter defined), a Minimum Offering of 2,750,000 Offered Shares up to a Maximum Offering of 7,500,000 Offered Shares are offered hereunder, not including the Agent's Option (as hereinafter defined), the Overallotment Option (as hereinafter defined) or the Stock Options (as hereinafter defined) to be granted concurrently with Closing, as hereinafter defined, to the directors and officers of the Corporation to purchase an aggregate of between 515,000 common shares, assuming completion of a Minimum Offering and 1,102,500 common shares, assuming completion of a Maximum Offering and full exercise of the Overallotment Option, at a price of \$0.10 per common share, which Stock Options and Agent's Options are also qualified for distribution under this prospectus. See "*Option to Purchase Securities - Stock Options*".

- (2) The Agent will receive a commission (the "**Agent's Commission**") equal to 10% of the gross proceeds from the sale of the Offered Shares and the Overallotment Shares, if any, pursuant to this Offering, payable in cash on the Closing Date, as hereinafter defined. The Agent will also be paid a corporate finance fee equal to \$7,500 (plus G.S.T. of \$375) (the "**Corporate Finance Fee**") on the Closing Date, of which \$4,000, has been paid, with the remaining \$3,875 to be paid in cash. The Agent will be reimbursed by the Corporation for its reasonable expenses and legal fees plus disbursements and will be granted the Agent's Options referred to herein, which are exercisable for a period of 24 months from the date of listing of the Corporation's common shares on the Exchange. This Offering qualifies the distribution of the Agent's Options to the maximum extent permitted by NI 41-101, as defined herein. See "*Plan of Distribution – Agency Agreement and Agent's Compensation*".
- (3) Before deducting the costs of this issue estimated at \$119,613, which includes audit fees and other expenses of the Corporation, including amounts spent to the date of this Offering, the Corporate Finance Fee, legal fees, printing fees, filing fees, disbursements and the listing fees payable to the Exchange, of which \$5,000 in respect of the Agent's expenses, including the Agent's legal fees and disbursements and \$4,000 in respect of the non-refundable portion of the Corporate Finance Fee, have been paid for at the date hereof. See "*Use of Proceeds*".
- (4) Unless an amendment to the final prospectus is filed and the "principal regulator" under NP 11-202, as hereinafter defined, (the "**Securities Regulatory Authority**") has issued a receipt for the amendment, the latest date that the distribution is to remain open is 90 days after the date of issuance of a receipt for the final prospectus by the Securities Regulatory Authority.
- (5) The Agent has received an option (the "**Overallotment Option**") to purchase up to an additional 15% of the common shares offered (the "**Overallotment Shares**") to cover overallotments which Overallotment Option is exercisable at \$0.10 per Overallotment Share for a period of 30 days from the date of the Closing. If the Overallotment Option is exercised in full, the gross proceeds realized from the Offering will increase by \$112,500 in the event of a Maximum Offering.

This Offering is made on a "commercially reasonable efforts" basis by the Agent and is subject to an aggregate minimum subscription of 2,750,000 Offered Shares and a maximum subscription of 7,500,000 Offered Shares, for gross proceeds to the Corporation of \$275,000 in the event of a Minimum Offering and \$750,000 in the event of a Maximum Offering (excluding the Overallotment Option). The offering price of the Offered Shares was determined by negotiation between the Corporation and the Agent. All funds received from subscriptions for Offered Shares will be held by the Agent pursuant to the terms of the Agency Agreement. If the Offering is not completed within 90 days of the issuance of a Final Receipt (as hereinafter defined) or such other time as may be consented to by the regulatory authorities and the Agent and persons or companies who subscribed within that period, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

Pursuant to the Agency Agreement, the Agent will receive a non-transferrable option (the "**Agent's Option**") to acquire up to 10% of the number of Offered Shares and Overallotment Shares, if any, sold under the Offering at a price of \$0.10 per common share, exercisable for a period of 24 months from the date of listing of the Corporation's common shares on the Exchange. In the event of a Minimum Offering, the Agent shall receive 275,000 Agent's Options or in the event of a Maximum Offering, the Agent shall receive 750,000 Agent's Options (or 862,500 Agent's Options if the Overallotment Option is exercised in full). Pursuant to the Agency Agreement, the Agent has been granted the Overallotment Option to purchase that number of common shares equal to 15% of the aggregate number of common shares sold under the Offering, to a maximum of 1,125,000 common shares, at a price of \$0.10 per common share for a period of 30 days from the Closing. The Agent's Options and the Overallotment Option are qualified for distribution under this prospectus to the maximum extent permitted by NI 41-101. See "*Plan of Distribution – Agency Agreement and Agent's Compensation*".

In addition, the Corporation intends to grant at the Closing, stock options to the directors and officers to purchase, in aggregate between 515,000 common shares assuming completion of a Minimum Offering, or 1,102,500 common shares assuming completion of a Maximum Offering and full exercise of the Overallotment Option, at a price of \$0.10 per common share, exercisable for a period of five (5) years from the date of grant (the "**Stock Options**"), which options are qualified under this prospectus. See "*Plan of Distribution*", "*Description of Share Capital*" and "*Options to Purchase Securities*".

Other than the initial distribution of the Offered Shares pursuant to this prospectus, the grant of the Agent's Options and the grant of the Stock Options to the directors and officers of the Corporation, trading in all securities of the Corporation is prohibited during the period between the date a receipt for the preliminary prospectus is issued by the securities commission that is designated the principal regulator pursuant to Multilateral Instrument 11-102 - *Passport System* ("**MI 11-102**") and National Policy 11-202 - *Process for Prospectus Reviews in Multiple Jurisdictions* ("**NP 11-202**") and the time the common shares are listed for trading on the Exchange except, subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authority grants a discretionary order.

The Corporation has applied to list its common shares on the Exchange. Listing will be subject to the Corporation fulfilling all of the requirements of the Exchange.

**Investment in the Offered Shares offered by this prospectus is highly speculative due to the nature of the Corporation's business and its present stage of development. This Offering is suitable only to those investors who are prepared to risk the loss of their entire investment. See "Risk Factors".**

**There is no market through which the Offered Shares may be sold and purchasers may not be able to resell the Offered Shares purchased under this prospectus. This may affect the pricing of the Offered Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".** Upon completion of this Offering and assuming that the Overallotment Option is not exercised, purchasers will suffer an immediate dilution (based on the gross proceeds from this and prior issues without deduction of selling and related expenses) per common share of approximately \$0.0233 or 23.3% in the event of a Minimum Offering and \$0.0121 or 12.1% in the event of a Maximum Offering. The Corporation was only recently incorporated and does not currently own any assets other than cash.

The business objective of the Corporation is to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction which receives Exchange approval and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval of the Corporation's shareholders. There can be no assurance that the Corporation will successfully complete a Qualifying Transaction. Although the Corporation has commenced the process of identifying potential acquisitions, the Corporation has yet to enter into any negotiations with respect to such potential acquisitions and may determine that current markets, terms of acquisition, or pricing conditions make such potential acquisitions uneconomic. The Corporation may find that even if the terms of a potential acquisition are economic, the Corporation may not be able to finance such acquisition and additional funds may be required to meet such obligation. Since the Corporation has not placed any geographical restrictions on the location of a Qualifying Transaction, such Qualifying Transaction may involve the acquisition of a business located outside of Canada and, as such, investors should be aware that it may be difficult or may not be possible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and that it may not be possible to enforce against such Person, as hereinafter defined, or the Corporation, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. Where the investment or acquisition is financed by the issuance of common shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution of their investment. The Corporation will be in competition with other corporations with greater resources. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Exchange may suspend from trading or de-list the common shares where the Corporation has failed to complete a Qualifying Transaction within 24 months of the date of listing. The Executive Director of a securities commission may issue an interim cease trade order against the Corporation's securities if the common shares of the Corporation are suspended from trading on the Exchange and will issue an interim cease trade order if the Corporation is delisted from the Exchange. In addition, delisting of the common shares will result in the cancellation of all or a portion of the common shares of the Corporation owned by Insiders, as hereinafter defined, issued prior to this Offering. Investors must rely solely on the expertise of the Corporation's Promoters, as hereinafter defined, directors and officers for any possible return on their investment. The Corporation's Promoters, directors, officers and Control Persons, as hereinafter defined, and their Associates, as hereinafter defined, and Affiliates, as hereinafter defined, as a group, beneficially own or control, directly or indirectly, 2,080,000 common shares, which represent 86.67% of the issued and outstanding common shares before giving effect to this Offering and will own approximately 40.39% of the issued and outstanding common shares in the event of a Minimum Offering and 21.01% in the event of a Maximum Offering and after giving effect to this Offering. The directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. See "*Capitalization*", "*Business of the Corporation*", "*Directors, Officers and Promoter*", "*Use of Proceeds*", "*Directors, Officers and Promoters – Conflicts of Interest*" and "*Risk Factors*".

This Offering is subject to the CPC Policy and the securities laws of the Offering Jurisdictions.

The Agent, conditionally offers these Offered Shares, on a "commercially reasonable efforts" agency basis, if, as and when subscriptions are accepted by the Corporation and the Agent, subject to prior sale, in accordance with the terms and conditions of the Agency Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters by TingleMerrett LLP, Calgary, Alberta, on behalf of the Corporation and by Gowling WLG (Canada) LLP, Vancouver, British Columbia, on behalf of the Agent. Pursuant to the CPC Policy, no purchaser of Offered Shares is permitted to directly or indirectly purchase more than 2% of the total Offered Shares or 55,000 Offered Shares (\$5,500) in the event of a Minimum Offering and 150,000 Offered Shares (\$15,000) in the event of a Maximum Offering under this prospectus, excluding the exercise of the Overallotment Option. In addition, the maximum number of Offered Shares that may directly or indirectly be purchased by that purchaser, together with any Associates or Affiliates of that purchaser, is 4% of the total number of Offered Shares or 110,000 Offered Shares (\$11,000) in the event of a Minimum Offering and 300,000 Offered Shares (\$30,000) in the event of a Maximum Offering under this prospectus, excluding the exercise of the Overallotment Option.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offered Shares sold under the Offering will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee, pursuant to the book-based system administered by CDS. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Offered Shares were purchased. See “*Depository Services*”.

Agent for the Offering:  
**Chippingham Financial Group Limited**  
**One St Clair Avenue West**  
**Suite 501**  
**Toronto, ON M4V 1K6**  
**Telephone: (647) 346-4491**  
**Fax: (647) 346-4421**

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## GLOSSARY

**"Affiliate"** means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

**"Agency Agreement"** means the agency agreement between the Corporation and the Agent dated ●, 2016.

**"Agent"** means Chippingham Financial Group Limited.

**"Agent's Commission"** means the commission issued by the Corporation to the Agent equal to 10% of the gross proceeds from the sale of the Offered Shares, payable in cash.

**"Agent's Option"** means the non-transferrable option issued by the Corporation to the Agent entitling the Agent to acquire up to 10% of the total number of Offered Shares sold under the Offering (being 275,000 common shares in the case of the Minimum Offering, and 750,000 common shares in the case of the Maximum Offering or 862,500 common shares if the Overallotment Option is exercised in full) at a price of \$0.10 per common share. The Agent may exercise all or part of the Agent's Option at any time for a period ending 24 months from the date of listing of the common shares on the Exchange.

**"Aggregate Pro Group"** means all Persons who are members of any "Pro Group" whether or not the Member is involved in a contractual relationship with the Corporation to provide financing sponsorship and other advisory services, and specifically means:

- (a) Subject to subparagraphs (b), (c) and (d) **"Aggregate Pro Group"** shall include, either individually or as a group:
  - (i) the Member;
  - (ii) employees of the Member;
  - (iii) partners, officers and directors of the Member;
  - (iv) Affiliates of the Member; and
  - (v) Associates of any parties referred to in subparagraphs (i) through (iv);
- (b) The Exchange may, in its discretion, include a Person or party in the **"Aggregate Pro Group"** for the purposes of a particular calculation where the Exchange determines that the Person is not acting at arm's length to the Member;

- (c) The Exchange may, in its discretion, exclude a Person from the "**Aggregate Pro Group**" for the purposes of a particular calculation where the Exchange determines that the Person is acting at arm's length to the Member;
- (d) The Member may deem a Person who would otherwise be included in the "**Aggregate Pro Group**" pursuant to subparagraph (a) to be excluded from the "**Aggregate Pro Group**" where the Member determines that:
  - (i) the Person is an Affiliate or Associate of the Member acting at arm's length of the Member;
  - (ii) the Associate or Affiliate has a separate corporate and reporting structure;
  - (iii) there are sufficient controls on information flowing between the Member and the Associate or Affiliate; and
  - (iv) the Member maintains a list of such excluded Persons.

"**Agreement in Principle**" means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction; and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non-Arm's Length Parties to the CPC or the Non-Arm's Length Parties to the Qualifying Transaction.

"**Associate**" when used to indicate a relationship with a Person, means:

- (a) an Issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10 percent of the voting rights attached to all outstanding voting securities of the Issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity; and
- (d) in the case of a Person who is an individual:
  - (i) that Person's spouse or child, or
  - (ii) any relative of that Person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of applicable Exchange rules with respect to that Member firm, Member corporation or holding company.

"**Closing**" means the completion of the Offering.

**"Closing Date"** means the date the Offering is completed.

**"common shares"** means the common shares without par value in the share capital of the Corporation.

**"company"** unless specifically indicated otherwise, means a corporation, unincorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

**"Completion of the Qualifying Transaction"** means the date the Final Exchange Bulletin is issued by the Exchange.

**"Control Person"** means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of that Issuer, or that holds more than 20% of the outstanding voting securities of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer.

**"Corporate Finance Fee"** means the \$7,500 (plus G.S.T. of \$375) payable to the Agent under the Agency Agreement, of which \$4,000 has been paid and is non-refundable with the remaining \$3,875 to be paid in cash at the time of Closing.

**"Corporation"** means Harbour Star Capital Inc., a corporation incorporated under the *Business Corporations Act* (Alberta), having its registered office in the City of Calgary, in the Province of Alberta.

**"CPC"** means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (b) in regard to which the Final Exchange Bulletin has not yet been issued.

**"CPC Policy"** means Policy 2.4 – *Capital Pool Companies* of the Exchange.

**"CRA"** means Canada Revenue Agency.

**"Escrow Agent"** means Computershare Trust Company of Canada, a trust company having an office in Calgary, Alberta, and the corporation's registrar and transfer agent.

**"Exchange"** or **"TSXV"** means the TSX Venture Exchange Inc.

**"Final Exchange Bulletin"** means the Exchange bulletin issued following closing of the Qualifying Transaction and the submission of all required documentation that evidences the final Exchange acceptance of the Qualifying Transaction.

**"Final Receipt"** means the receipt issued for this prospectus by the Principal Regulator pursuant to National Policy 11-102 – *Process for Prospectus Reviews in Multiple Jurisdictions*.

**"Incentive Stock Option Plan"** means the Corporation's stock option plan pursuant to which the Corporation may issue options to its directors, officers and technical consultants exercisable for up to 10% of the Corporation's issued and outstanding common shares as at the Closing of the Corporation's IPO.

**"Initial Listing Requirements"** means the minimum financial, distribution and other standards that must be met by applicants seeking a listing on a particular tier of the Exchange.

**"Initial Public Offering"** or **"IPO"** means a transaction that involves an Issuer issuing securities from its treasury pursuant to its first prospectus.

**"Insider"** if used in relation to an Issuer means:

- (i) a director or officer of the Issuer;
- (ii) a Person who performs functions similar to those normally performed by a director or officer;
- (iii) a director or officer of the company that is an Insider or subsidiary of the Issuer;
- (iv) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or
- (v) the Issuer itself, if it holds any of its own securities.

**"Issuer"** means a company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires, any applicant company seeking a listing of its securities on the Exchange.

**"Listing Date"** means the date of listing of the common shares on the Exchange.

**"Majority of the Minority Approval"** means the approval of a Non-Arm's Length Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non-Arm's Length Parties to the CPC;
- (b) Non-Arm's Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if the CPC holds its own shares, the CPC, and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction;

at a properly constituted meeting of the common shareholders of the CPC.

**"Maximum Offering"** means the Offering of a maximum of 7,500,000 common shares at a price of \$0.10 per common share.

**"Member"** means a Person who has executed the Members' Agreement, as amended from time to time, and is accepted as and becomes a member of the Exchange under the Exchange requirements.

**"Members' Agreement"** means the members' agreement among the Exchange and each Person who, from time to time, is accepted as and becomes a member of the Exchange under the Exchange requirements.

**"Minimum Offering"** means the Offering of a minimum of 2,750,000 common shares at a price of \$0.10 per common share.

**"NEX"** means a market on which former Exchange and Toronto Stock Exchange Issuers that do not meet Exchange tier maintenance requirements for Tier 2 issuers may continue to trade.

**"NI 41-101"** means National Instrument 41-101 General Prospectus Requirements.

**"Non-Arm's Length Party"** means:

- (a) in relation to a company:
  - (i) a Promoter, officer, director, other Insider or Control Person of that company (including an Issuer) and any Associates or Affiliates of any of such Persons; or

- (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person as the company.
- (b) In relation to an individual, means any Associate of the individual or any company of which the individual is a Promoter, officer, director, Insider or Control Person.

**"Non-Arm's Length Parties to the Qualifying Transaction"** means the Vendor(s), any Target Company (ies) and includes, in relation to Significant Assets or Target Company (ies), the Non-Arm's Length Parties of the Vendor(s), the Non-Arm's Length Parties of any Target Company (ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

**"Non-Arm's Length Qualifying Transaction"** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are control persons in both the CPC and in relation to the Significant Assets which are the subject of the proposed Qualifying Transaction.

**"Offered Shares"** means a minimum of 2,750,000 common shares and a maximum of 7,500,000 common shares in the capital of the Corporation, to be offered by the Corporation through the Agent for aggregate gross proceeds of a minimum of \$275,000 up to a maximum of \$750,000.

**"Offering"** means the Minimum Offering and Maximum Offering of Offered Shares in accordance with the terms of this prospectus.

**"Offering Jurisdictions"** means the provinces of British Columbia, Alberta and Saskatchewan and such other jurisdictions where the Offered Shares may be sold without requirement for registration or filing of a prospectus.

**"Optionee" or "Optionees"** means the recipient of a stock option under the Incentive Stock Option Plan.

**"Overallotment Option"** means the Agent's right to purchase an additional 15% of the number of common shares offered in the Offering, exercisable for a period of 30 days after the Closing.

**"Overallotment Shares"** means the up to 1,125,000 common shares issuable pursuant to the Overallotment Option at a price of \$0.10 per Overallotment Share.

**"Person"** means a company or individual.

**"Previous Filing"** means the earlier preliminary prospectus filed on March 14, 2016, as amended and restated on June 14, 2016 and August 10, 2016, which was withdrawn on September 12, 2016.

**"Principal"** means:

- (a) a Person who acted as a Promoter of the Issuer within two years or their respective Associates or Affiliates, before the IPO prospectus or Final Exchange Bulletin;
- (b) a director or senior officer of the Issuer or any of its material operating subsidiaries at the time of the IPO prospectus or Final Exchange Bulletin;
- (c) a 20% holder – a Person that holds securities carrying more than 20% of the voting rights attached to the Issuer's outstanding securities immediately before and immediately after the Issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions;
- (d) a 10% holder – a Person that:
  - (i) holds securities carrying more than 10% of the voting rights attached to the Issuer's outstanding securities immediately before and immediately after the Issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

The foregoing percentages include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A company, trust, partnership or other entity more than 50% held by one or more Principals will be treated as a Principal. (In calculating this percentage, include securities of the entity that may be issued to the Principal under outstanding convertible securities in both the Principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the Issuer that this entity holds will be subject to escrow requirements.

A Principal's spouse and their relatives that live at the same address as the Principal will also be treated as Principals and any securities of the Issuer they hold will be subject to escrow requirements.

**"Pro Group"** has the meaning specified in Exchange Policy 1.1 – *Interpretation*.

**"Promoter"** has the meaning specified in section 1(rr) of the *Securities Act* (Alberta).

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

**"Related Party Transaction"** has the meaning ascribed to that term under Exchange Policy 5.9 – *Protection of Minority Security holders in Special Transactions*, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm's Length Parties, or other circumstances exist which may compromise the independence of the Issuer with respect to the transaction.

**"Resulting Issuer"** means the Issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin.

**"SEDAR"** means System for Electronic Document Analysis and Retrieval.

**"Seed Share Escrow Agreement"** means the escrow agreement dated ●, 2016 between the Corporation, the Escrow Agent and certain shareholders of the Corporation.

**"Seed Shares"** means the 2,400,000 common shares issued by the Corporation prior to the Closing, at a price of \$0.05 per common share.

**"Significant Assets"** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the Initial Listing Requirements.

**"Sponsor"** has the meaning specified in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

**"Stock Options"** means between 515,000 options assuming completion of a Minimum Offering and up to 1,102,500 options assuming completion of a Maximum Offering and exercise in full of the Overallotment Option, to purchase common shares of the Corporation, exercisable at a price of \$0.10 per common share, to be granted concurrently with the Closing to its directors and officers, as described in *"Options to Purchase Securities"*.

**"Target Company"** means a company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

**"Vendors"** means one or all of the beneficial owners, of the Significant Assets (other than a Target Company).

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

**Business of the Corporation:** The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations and has no assets other than a minimum amount of cash. The Corporation has commenced the process of identifying potential acquisitions. To date, the Corporation has not yet identified a company or assets for a potential Qualifying Transaction. Furthermore, the Corporation has not entered into an Agreement in Principle. An acquisition financed by the issuance of treasury shares could result in a change of control of the Corporation and may cause the shareholders' interest in the Corporation to be reduced. See "*Business of the Corporation*".

**Offering:** The Offering consists of a Minimum Offering of 2,750,000 Offered Shares for gross proceeds of \$275,000 and a Maximum Offering of 7,500,000 Offered Shares for gross proceeds of \$750,000 are being offered and qualified under this prospectus at a price of \$0.10 per common share. In addition, the Corporation will issue to the Agent, the Agent's Option to purchase that number of common shares equal to 10% of the aggregate number of Offered Shares sold pursuant to this Offering, being 275,000 common shares in the event of a Minimum Offering and 750,000 common shares in the event of a Maximum Offering (or up to 862,500 common shares in the event that the Overallotment Option is exercised in full), at a price of \$0.10 per common share and which may be exercised for a period of 24 months from the Listing Date. The Agent's Option and the common shares acquired by the Agent upon exercise of the Overallotment Option are qualified for distribution under this prospectus. See "*Plan of Distribution*".

The Corporation also intends to grant Stock Options concurrently with the Closing, to purchase an aggregate of between 515,000 common shares assuming completion of a Minimum Offering or 990,000 common shares assuming completion of a Maximum Offering, to the current directors and officers of the Corporation, all of which Stock Options are qualified for distribution under this prospectus. Such options will be exercisable at \$0.10 per common share for a period of five years from the Closing Date. See "*Options to Purchase Securities - Stock Options*" and "*Plan of Distribution*".

The Corporation has granted to the Agent the Overallotment Option exercisable in whole or in part, at the discretion of the Agent, for a period of 30 days following the date of closing, to purchase or arrange for the purchase of up to such number of additional common shares as is equal to 15% of the aggregate number of common shares sold under the Offering. See "*Plan of Distribution*". This prospectus qualifies the distribution of all such securities.

**Agent's Option:** The Agent will be granted an option to purchase that number of common shares that is equal to 10% of the number of common shares subscribed for under this Offering, exercisable at a price of \$0.10 per common share for a period of 24 months after the Closing Date. The Agent's Option and the common shares issuable upon the exercise thereof are qualified for distribution pursuant to this prospectus. See "*Plan of Distribution*".

**Use of Proceeds:** The total estimated funds to the Corporation, including total cash proceeds raised prior to this Offering and total proceeds of this Offering, net of all Offering expenses and Agent's Commission, will be approximately \$247,887 in the event of a Minimum Offering, \$675,387 in the event of a Maximum Offering or \$776,637 in the event the Overallotment Option is exercised in full. The net funds available will provide the Corporation with a minimum of funds with which to identify and evaluate assets or businesses, for acquisition with a view to completing a Qualifying Transaction. The Corporation may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required. Until Completion of the Qualifying Transaction and except as otherwise provided in the CPC Policy, a maximum of the lesser of \$210,000 or

30% of the gross proceeds realized may be used for purposes other than evaluating businesses or assets. See "*Use of Proceeds*".

**Directors and Officers:**

The directors and officers of the Corporation and the positions held by each of them are as follows:

|                       |                                                           |
|-----------------------|-----------------------------------------------------------|
| Mohammad Fazil        | President, Chief Executive Officer, Promoter and Director |
| Gordon Anderson       | Chief Financial Officer and Director                      |
| Scott M. Reeves       | Corporate Secretary and Director                          |
| Antarezia (Jie) Liang | Director                                                  |
| William Eilers        | Director                                                  |

See "*Directors, Officers and Promoter*" and "*Promoters*".

**Escrow:**

All of the 2,400,000 Seed Shares issued by the Corporation prior to the Closing will be deposited in escrow pursuant to the terms of the Seed Share Escrow Agreement, and will be released in stages over a period of up to three years after the date of the Final Exchange Bulletin. See "*Escrowed Securities*".

**Dividend Policy:**

It is not contemplated that any dividends will be paid on the common shares in the immediate or foreseeable future. See "*Description of Share Capital - Dividend Record and Policy*".

**Risk Factors:**

Investment in the Offered Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was only recently incorporated and has no active business or assets other than cash. The Corporation does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the Completion of the Qualifying Transaction. **The Offering is only suitable to investors who are prepared to rely entirely on the directors and management of the Corporation and can afford to risk the loss of their entire investment.** The directors and officers of the Corporation will devote only part of their time and attention to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Assuming completion of the Offering, an investor will suffer an immediate dilution (based on the gross proceeds from this and prior issuances without deduction of selling and related expenses) per Offered Share of approximately \$0.0233 or 23.3% in the event of a Minimum Offering and \$0.0121 or 12.1% in the event of a Maximum Offering.

There can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell the Offered Shares. Until Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has only limited funds with which to identify and evaluate possible Qualifying Transactions and there can be no assurance that the Corporation will be able to identify or complete a suitable Qualifying Transaction.

The Qualifying Transaction may involve the acquisition of a business or assets located outside of Canada. It may therefore be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and it may not be possible to enforce against such persons or companies judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada. See "*Business of the Corporation*", "*Directors, Officers and Promoter*", "*Capitalization*", "*Dilution*", "*Risk Factors*" and "*Directors, Officers and Promoter - Conflicts of Interest*".

**THE CORPORATION**

The Corporation was incorporated on October 24, 2014 pursuant to the provisions of the *Business Corporations Act* (Alberta) under the name "Harbour Star Capital Inc.". The articles were amended on January 30, 2015 to remove the restrictions against share transfers and other restrictions applicable to private issuers.

The registered office and head office of the Corporation is located at 1250, 639 – 5<sup>th</sup> Ave. SW, Calgary, Alberta T2P 0M9.

## **BUSINESS OF THE CORPORATION**

### **Preliminary Expenses**

To date, the Corporation has raised \$120,000 through the sale of 2,400,000 common shares. (See "*Prior Sales*" and "*Capitalization*"). As at the date hereof, the Corporation has paid \$9,000 to the Agent representing the \$4,000 non-refundable portion of the Corporate Finance Fee and a retainer of \$5,000 to be applied towards the expenses of the Agent. In addition, the Corporation has paid \$5,000 (plus G.S.T.) to the Exchange, as part of the Corporation's initial listing fee. The Corporation filed the Previous Filing, pursuant to which the Corporation paid expenses in the aggregate amount of \$83,613.

Part of the net proceeds of the Offering will be utilized to satisfy the obligations of the Corporation related to this Offering, including the fees and commissions of the Agent, the expenses of its auditors, legal counsel and the Agent's legal counsel and the filing fees of the Exchange and applicable securities regulatory authorities. See "*Use of Proceeds*".

### **Proposed Operations until Completion of a Qualifying Transaction**

The Corporation proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and, in the case of a Non-Arm's Length Qualifying Transaction, is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Corporation has not conducted commercial operations. The Corporation currently intends to pursue a Qualifying Transaction in the mining and exploration industry but there is no assurance that this will in fact be the business sector of a proposed Qualifying Transaction or of the Corporation following completion of the Qualifying Transaction.

Until Completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described under "*Use of Proceeds - Private Placement for Cash*" and "*Use of Proceeds - Restrictions on Use of Proceeds*", the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition.

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction, the Corporation has not yet entered into an Agreement in Principle.

### **Method of Financing**

The Corporation may use cash, bank financing, the issuance of treasury shares, public debt or equity financing or a combination of these for the purpose of financing its proposed Qualifying Transaction. **A Qualifying Transaction financed by the issue of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be further diluted.**

### **Criteria for a Qualifying Transaction**

The board of directors of the Corporation proposes to identify acquisitions of interests in assets or businesses through discussions with various business associates and contacts of the Corporation's officers and directors. Once a prospective acquisition target has been identified and evaluated, the Corporation will proceed to negotiate the terms upon which it may acquire an interest in the asset or business. The board of directors must approve any proposed Qualifying Transaction. In exercising their powers and discharging their duties in relation to a proposed Qualifying Transaction, the directors will act honestly and in good faith having regard to the best interests of the Corporation and will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## **Filings and Shareholder Approval of a Non-Arm's Length Qualifying Transaction**

Upon the Corporation reaching an Agreement in Principle, the Corporation must issue a comprehensive news release, at which time the Exchange generally will halt trading in the Corporation's common shares until the filing requirements of the Exchange have been satisfied as set forth under "*Business of the Corporation - Trading Halts, Suspensions and Delisting*". Within 75 days after issuance of such news release, the Corporation is required to submit for review to the Exchange either an information circular that complies with applicable corporate and securities laws or a filing statement that complies with Exchange requirements. An information circular must be submitted where there is a Non-Arm's Length Qualifying Transaction. A filing statement must be submitted where the Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction. The information circular or filing statement, as applicable, must contain prospectus level disclosure of the Target Company and the Corporation, assuming Completion of the Qualifying Transaction, and be prepared in accordance with the CPC Policy and Form 3B1 or Form 3B2, as the case may be, of the Exchange. Upon acceptance by the Exchange, the Corporation must then either:

- (a) file the filing statement on SEDAR at least seven business days prior to closing of the Qualifying Transaction, and issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the filing statement is available on SEDAR, or
- (b) mail the information circular and related proxy material to its shareholders and file same on SEDAR in order to obtain the Majority of the Minority Approval of the Qualifying Transaction or other requisite approval, at a meeting of shareholders.

Unless waived by the Exchange, the Corporation will also be required to retain a Sponsor, who must be a Member of the Exchange, and who will be required to submit to the Exchange a sponsor report prepared in accordance with the policies of the Exchange. The Corporation will no longer be considered to be a CPC upon the Exchange having issued the Final Exchange Bulletin. The Exchange will generally not issue the Final Exchange Bulletin until the Exchange has received:

- (a) in the case of a Non-Arm's Length Qualifying Transaction, confirmation of Majority of Minority Approval of the Qualifying Transaction;
- (b) confirmation of closing of the Qualifying Transaction; and
- (c) all post-meeting or final documentation, as applicable, otherwise required to be filed with the Exchange pursuant to the CPC Policy.

Upon issuance of the Final Exchange Bulletin, the CPC Policy will generally cease to apply, with the exception of the escrow provisions of the CPC Policy and the restrictions in the CPC Policy precluding the Corporation from completing a reverse takeover for a period of one year from the Completion of the Qualifying Transaction.

## **Initial Listing Requirements**

The Resulting Issuer must satisfy the Exchange's Initial Listing Requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed under the applicable policies of the Exchange.

## **Trading Halts, Suspensions and Delisting**

The Exchange will generally halt trading in the common shares from the date of the public announcement of an Agreement in Principle until all filing requirements of the Exchange have been satisfied, which includes the submission of a sponsorship acknowledgment form, where the Qualifying Transaction is subject to sponsorship. In addition, personal information forms, or, if applicable, declarations, for all individuals who may be directors, senior officers, Promoters, or Insiders of the Resulting Issuer must be filed with the Exchange and any preliminary background searches that the Exchange considers necessary or advisable, must also be completed, before the trading halt will be lifted by the Exchange.

Even if all filing requirements have been satisfied and preliminary background checks completed, the Exchange may continue or reinstate a halt in trading of the common shares for public policy reasons including:

- (a) the unacceptable nature of the business of the Resulting Issuer, or

- (b) the number of conditions precedent to, or the nature and number of deficiencies required to be resolved prior to, completion of the Qualifying Transaction, are so significant or numerous as to make it appear to the Exchange that the halt should be reinstated or continued.

A trading halt may also be imposed by the Exchange where the Corporation fails to file the supporting documents relating to the Qualifying Transaction within a period of 75 days after public announcement of the Agreement in Principle or if the Corporation fails to file post-meeting or final documents, as applicable, within the time required. A trading halt may also be imposed if a Sponsor terminates its sponsorship.

The Exchange may suspend from trading or delist the common shares of the Corporation where the Exchange has not issued a Final Exchange Bulletin to the Corporation within 24 months of the date of listing. In the event that the common shares of the Corporation are delisted by the Exchange, within 90 days from the date of such delisting, the Corporation shall wind up and shall make a pro rata distribution of its remaining assets to its shareholders, unless shareholders, pursuant to a majority vote exclusive of the votes of Non-Arm's Length Parties to the Corporation, determine to deal with the remaining assets in some other manner. See "*Business of the Corporation - Filings and Shareholder Approval of a Non-Arm's Length Qualifying Transaction*".

If the Corporation does not complete a Qualifying Transaction within 24 months of the date of listing, it may apply for listing on NEX rather than be delisted. In order to be eligible to list on the NEX, the Corporation must:

- (a) either: (i) cancel all escrowed common shares purchased by Non-Arm's Length Parties to the Corporation at a discount to the Offering price, in accordance with section 11.2(a) of the CPC Policy, as if the Corporation had delisted from the Exchange or (ii) subject to majority shareholder approval, cancel the escrowed common shares purchased by Non-Arm's Length Parties to the Corporation so that the average cost of the remaining Seed Shares is at least equal to the Offering price; and
- (b) obtain majority shareholder approval for the transfer to NEX, exclusive of the votes of Non-Arm's Length Parties of the Corporation.

If the Corporation's common shares are listed on NEX, it must continue to comply with all requirements and restrictions of the CPC Policy.

### **Refusal of Qualifying Transaction**

The Exchange, in its sole discretion, may not accept a Qualifying Transaction where:

- (a) the Resulting Issuer fails to satisfy the applicable Initial Listing Requirements of the Exchange;
- (b) the aggregate number of securities of the Resulting Issuer owned, directly or indirectly, by:
  - (i) a member firm of the Exchange;
  - (ii) registrants, unregistered corporate finance professionals, employee shareholders and partners of such member firm; and
  - (iii) associates of any such person,collectively, would exceed 20% of the issued and outstanding securities of the Resulting Issuer;
- (c) the Resulting Issuer will be a financial institution, finance company, finance issuer or mutual fund, as defined in the securities legislation;
- (d) the majority of the directors and senior officers of the Resulting Issuer are not residents of Canada or the United States or are individuals who have not demonstrated positive association as directors or officers with public companies that are subject to a regulatory regime comparable to the companies listed on a Canadian exchange; or

- (e) notwithstanding the definition of a Qualifying Transaction, there is any other reason for denying acceptance of the Qualifying Transaction.

## USE OF PROCEEDS

### Proceeds and Principal Purposes

The gross proceeds to be received by the Corporation from the sale of the Offered Shares offered by this prospectus will be \$275,000 in the event of a Minimum Offering and \$750,000 in the event of Maximum Offering. The gross proceeds received by the Corporation from the sale of common shares prior to the date of this Prospectus were \$120,000. The expenses and costs associated with the Offering, including the Agent's Commission, are expected to be in the order of approximately \$63,500 in the event of a Minimum Offering and \$111,000 in the event of a Maximum Offering. The Corporation incurred expenses in the aggregate amount of \$83,613 in connection with the Previous Filing. All such costs and expenses will be paid from the working capital of the Corporation, which will include the proceeds of the Offering. The total estimated funds to the Corporation, including total cash proceeds raised prior to this Offering and total proceeds of this Offering, net of all Offering expenses and Agent's Commission, will be approximately \$247,887 in the event of a Minimum Offering, \$675,387 in the event of a Maximum Offering or \$776,637 in the event the Overallotment Option is exercised in full.

The following indicates the principal uses to which the Corporation proposes to use the total funds available to the Corporation upon the completion of this Offering:

| Item                                                                                          | Minimum Offering   | Maximum Offering   | Maximum Offering and Full Exercise of Overallotment Option |
|-----------------------------------------------------------------------------------------------|--------------------|--------------------|------------------------------------------------------------|
| Gross cash proceeds raised prior to the Offering (Seed Shares) <sup>(1)</sup>                 | \$120,000          | \$120,000          | \$120,000                                                  |
| Gross cash proceeds to be raised pursuant to the Offering                                     | \$275,000          | \$750,000          | \$862,500                                                  |
| Expenses and costs relating to raising Seed Share proceeds                                    | Nil <sup>(2)</sup> | Nil <sup>(2)</sup> | Nil <sup>(2)</sup>                                         |
| Estimated expenses and costs relating to the Offering <sup>(3)</sup>                          | (\$63,500)         | (\$111,000)        | (\$122,250)                                                |
| Expenses and costs relating to the Previous Filing <sup>(6)</sup>                             | (\$83,613)         | (\$83,613)         | (\$83,613)                                                 |
| <b>Estimated funds available on completion of the Offering<sup>(4)</sup></b>                  | <b>\$247,887</b>   | <b>\$675,387</b>   | <b>\$776,637</b>                                           |
|                                                                                               |                    |                    |                                                            |
| Funds available for identifying and evaluating assets or business prospects <sup>(4)(5)</sup> | \$212,887          | \$640,387          | \$741,637                                                  |
| Estimated general and administrative expenses until Completion of a Qualifying Transaction    | \$35,000           | \$35,000           | \$35,000                                                   |
| <b>TOTAL NET PROCEEDS</b>                                                                     | <b>\$247,887</b>   | <b>\$675,387</b>   | <b>\$776,637</b>                                           |

#### Notes:

- (1) See "Prior Sales".
- (2) No issue costs have been allocated towards the issuance of these common shares. See the Corporation's balance sheet as at October 31, 2015.
- (3) Expenses and costs of the Offering include, but are not limited to: Agent's Commission of \$27,500 in the case of the Minimum Offering, \$75,000 in the case of the Maximum Offering or \$86,250 in the case of the Maximum Offering and full exercise of the Overallotment Option; the Corporate Finance Fee payable to the Agent of \$7,500; the reasonable out-of-pocket costs and expenses of the Agent (including legal fees of the Agent plus disbursements and applicable taxes) estimated to be \$5,000; additional legal fees of the Corporation estimated at \$5,000 plus disbursements and applicable taxes; additional audit fees of the Corporation estimated at \$3,500 plus applicable taxes; and additional filing fees payable to securities regulatory authorities and listing fees payable to the Exchange estimated at \$15,000 plus applicable taxes.
- (4) In the event the Agent exercises the Agent's Option and the directors and officers exercise their Stock Options, there will be available to the Corporation an additional \$79,000 in the event of the Minimum Offering, \$174,000 in the event of the Maximum Offering or and \$196,500 in the event the Maximum Offering is completed and the Overallotment Option is exercised in full, which will be added to the working capital of the Corporation. If the Overallotment Option is exercised in full, an additional \$112,500 in gross proceeds may be realized. There is no assurance that any of these options will be exercised.
- (5) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire \$212,887 in the event of a Minimum Offering, \$640,387 in the event of a Maximum Offering or \$741,637 in the event the Overallotment Option is exercised in full, on identifying and evaluating assets or businesses, the remaining funds may be used to finance or partially finance the acquisition of Significant Assets or for working capital after Completion of the Qualifying Transaction
- (6) Expenses and costs of the Previous Filing include: Corporate Finance Fee and legal expenses of the agent under the Previous Filing of \$27,115; legal fees and disbursements of the Corporation of \$25,590; disbursements and applicable taxes of \$2,652; audit fees of the Corporation of \$15,976 including applicable taxes; and filing fees payable to securities regulatory authorities and listing fees payable to the Exchange of \$12,280 including applicable taxes, for expenses in the aggregate amount of \$83,613.
- (7) In the event the Overallotment Option is exercised, the net proceeds will be available for identifying and evaluating assets or businesses.

Until required for the Corporation's purposes, the proceeds will be invested only in securities of, or those guaranteed by, the Government of Canada or any Province or Territory of Canada or the Government of the United States of America, in certificates of deposit or interest bearing accounts of Canadian chartered banks, trust companies or credit unions.

The proceeds from this Offering and any prior sale of common shares, after deducting the expenses associated with this Offering, will only be sufficient to identify and evaluate a finite number of assets and businesses, and additional funds may be required to finance any acquisition to which the Corporation may commit.

### **Permitted Use of Funds**

Until the Completion of the Qualifying Transaction and except as otherwise specifically provided by the CPC Policy and described in "*Use of Proceeds - Restrictions on Use of Proceeds*", "*Use of Proceeds - Private Placements for Cash*", and "*Use of Proceeds - Prohibited Payments to Non-Arm's Length Parties*", the gross proceeds realized from the sale of all securities issued by the Corporation will be used by the Corporation only to identify and evaluate businesses or assets and obtain shareholder approval for a proposed Qualifying Transaction.

The proceeds may be used for expenses incurred for the preparation of:

- (i) valuations or appraisals;
- (ii) business plans;
- (iii) feasibility studies and technical assessments;
- (iv) sponsorship reports;
- (v) engineering or geological reports;
- (vi) financial statements, including audited financial statements;
- (vii) fees for legal and accounting services; and
- (viii) agent's fees, costs and commissions,

relating to the identification and evaluation of assets or businesses and, in the case of a Non-Arm's Length Qualifying Transaction, the obtaining of shareholder approval for the Corporation's proposed Qualifying Transaction.

In addition, with the prior acceptance of the Exchange, up to an aggregate of \$225,000 may be advanced as a refundable deposit or secured loan by the Corporation to a Vendor or Target Company, as the case may be, for a proposed arm's length Qualifying Transaction that has been publicly announced at least 15 days prior to the date of such advance, due diligence with respect to the Qualifying Transaction is well underway and either a Sponsor has been engaged or sponsorship has been waived by the Exchange. A maximum aggregate amount of \$25,000 may also be advanced as a non-refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without the prior acceptance of the Exchange.

### **Restrictions on Use of Proceeds**

Until Completion of a Qualifying Transaction, not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation or \$210,000, will be used for purposes other than those described above. For greater certainty, expenditures which are not included in "*Use of Proceeds - Permitted Uses of Funds*", listed above, include:

- (a) listing and filing fees (including SEDAR fees);
- (b) other costs for the issuance of securities, (including legal, accounting and audit expenses) relating to the preparation and filing of this prospectus; and
- (c) administrative and general expenses of the Corporation, including:
  - (i) office supplies, office rent and related utilities;
  - (ii) printing costs (including the printing of this prospectus and share certificates);
  - (iii) equipment leases; and

- (iv) fees for legal advice and audit expenses, other than those described above under "*Use of Proceeds - Permitted Use of Funds*".

Until Completion of a Qualifying Transaction, no proceeds will be used to acquire or lease a vehicle.

### **Private Placements for Cash**

After the Closing and until the Completion of the Qualifying Transaction, the Corporation will not issue any securities unless written acceptance of the Exchange is obtained before issuance. Prior to the completion of a Qualifying Transaction, the Exchange generally will not accept a private placement by the Corporation where the gross proceeds raised from the issuance of securities both prior to and pursuant to the Offering, together with any proceeds anticipated to be raised upon closing of the private placement, will exceed \$5,000,000. The only securities issuable pursuant to such a private placement will be common shares. Subject to certain limited exceptions, any common shares issued pursuant to the private placement to Non-Arm's Length Parties to the Corporation and to Principals of the Resulting Issuer will be subject to escrow.

### **Prohibited Payments to Non-Arm's Length Parties**

Except as described under "*Options to Purchase Securities*" and "*Use of Proceeds - Restrictions on Use of Proceeds*", the Corporation has not made, and until the Completion of the Qualifying Transaction will not make, any payment of any kind, directly or indirectly, to a Non-Arm's Length Party to the Corporation or a Non-Arm's Length Party to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- (a) remuneration, which includes but is not limited to salaries, consulting fees, management contract fees or directors' fees, finders' fees, loans, advances and bonuses; and
- (b) deposits and similar payments.

Further, no such payment will be made on or after the Completion of a Qualifying Transaction if such payment relates to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the above, the Corporation may reimburse a Non-Arm's Length Party to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a Promoter of the Corporation or in the case of a law firm, no member of the firm, owns greater than 10% of the outstanding common shares of the Corporation), and the Corporation may also reimburse a Non-Arm's Length Party to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation described in "*Use of Proceeds - Permitted Use of Funds*".

The foregoing restrictions on the use of proceeds and prohibitions on payments to Non-Arm's Length Parties and persons engaged in investor relations activities continue to apply until the Completion of the Qualifying Transaction.

## **PLAN OF DISTRIBUTION**

### **Agency Agreement and Agent's Compensation**

Pursuant to the Agency Agreement, the Corporation has appointed the Agent as its agent to offer for sale on a commercially reasonable efforts basis to the public a minimum of 2,750,000 Offered Shares and a maximum of 7,500,000 Offered Shares, at a price of \$0.10 per Offered Share for aggregate gross proceeds of \$275,000 in the event of a Minimum Offering and \$750,000 in the event of a Maximum Offering, subject to the terms and conditions in the Agency Agreement. The Agent will receive an Agent's Commission equal to 10% of the aggregate gross proceeds from the sale of the Offered Shares, payable in cash. In addition, the Corporation will pay the Agent a Corporate Finance Fee equal to \$7,500 (plus G.S.T. of \$375) of which \$4,000 has been paid and is non-refundable and the remaining \$3,875 to be paid in cash from the Offering proceeds at Closing. The Corporation will pay the Agent's expenses, legal and search fees, plus disbursements and taxes, of which a retainer of \$5,000 has been paid to date.

The Corporation has also granted to the Agent an Overallotment Option, exercisable not later than 30 days after the date of closing, to sell up to such number of additional common shares as is equal to 15% of the aggregate number of common

shares sold under the Offering. The Overallotment Option is exercisable in whole or in any part, at the Agent's sold discretion, only for the purposes of covering overallotments, if any, made by the Agent in connection with the Offering, and for market stabilization purposes. The Prospectus also qualifies the grant of the Overallotment Option and the distribution of the Overallotment Shares on exercise of the Overallotment Option. In the event that the Agent exercises the Overallotment Option in full, the number of common shares issued under the Offering assuming completion of a Maximum Offering will be 8,625,000, the price to the public will be \$862,500, the Agent's Commission will be \$86,250 cash and the Agent will receive 862,500 Agent's Options.

The Corporation has also agreed to grant to the Agent a non-transferable Agent's Option which entitles the Agent to purchase up to 10% of the total number of Offered Shares sold under the Offering at a price of \$0.10 per common share and which may be exercised for a period of 24 months from the Listing Date. In the event of a Minimum Offering, an aggregate of 275,000 Agent's Options will be granted and in the case of a Maximum Offering, 750,000 Agent's Options will be granted. In the event that the Agent exercises the Overallotment Option in full, an aggregate of 862,500 Agent's Options will be granted in the case of a Maximum Offering.

Not more than 50% of the aggregate number of common shares which can be acquired by the Agent on the exercise of the Agent's Option may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction.

The issuance of the Agent's Option shall be qualified by this prospectus to the maximum extent permitted by NI 41-101.

The Agent has agreed to use its commercially reasonable efforts to secure subscriptions for the Offered Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The obligations of the Agent under the Agency Agreement may be terminated at its sole discretion on the basis of its assessment of the state of financial markets and may also be terminated on the occurrence of certain events as stated in the Agency Agreement.

The Corporation has agreed to notify the Agent (the "**Financing Notice**") of the terms of any public offering or brokered private placement of securities that it requires or proposes to undertake during the term of this agreement and until that day (the "**ROFR Termination Date**") which is the later of: (a) the date which falls twelve (12) months from the Listing Date; and (b) the date of the closing of the Qualifying Transaction, provided such date is not greater than twenty-four (24) months from the Listing Date. The Agent will have the right of first refusal to provide any such financing as agent or underwriter (the "**Financing ROFR**") on the terms set out in the Financing Notice for any offering of securities up to \$5,000,000. In the event of an offering of securities in an amount exceeding \$5,000,000, the Agent will have the right to participate as a syndicate member with an economic position of at least 10%. The Agent will also have a right of first refusal to provide sponsorship services (if required) for any Qualifying Transaction for the period ending on the ROFR Termination Date unless the Exchange has advised the Agent in writing that it may not act as Sponsor in connection with the Qualifying Transaction.

### **Commercially Reasonable Efforts Offering and Minimum Distribution**

The total Offering is for a minimum of 2,750,000 common shares and a maximum of 7,500,000 common shares (or 8,625,000 common shares if the Overallotment Option is exercised in full) at a price of \$0.10 per common share for total gross proceeds of \$275,000 in the event of a Minimum Offering and \$750,000 in the event of a Maximum Offering (or \$862,500 if the Overallotment Option is exercised in full). Under the CPC Policy, no purchaser is permitted to directly or indirectly purchase more than 2% of the total common shares in the Offering, or 55,000 common shares (\$5,500) in the event of a Minimum Offering, 150,000 common shares (\$15,000) in the event of a Maximum Offering or 172,500 common shares (\$17,250) in the event the Overallotment Option is exercised in full. In addition, the maximum number of common shares that may directly or indirectly be purchased by that purchaser, together with any Associates or Affiliates of that purchaser, is 4% of the total number of common shares in the Offering, or 110,000 common shares (\$11,000) in the event of a Minimum Offering, 300,000 common shares (\$30,000) in the event of a Maximum Offering or 345,000 common shares (\$34,500) in the event the Overallotment Option is exercised in full. The funds received from the Offering will be held by the Agent, and will not be released until proceeds of a minimum of \$275,000 have been deposited. The total subscription must be completed within 90 days of the date of the Final Receipt, or such other time as may be consented to by the Agent or persons or companies who subscribed within that period, failing which the Agent will remit the funds collected to the original subscribers without interest or deduction, unless subscribers have otherwise instructed the Agent.

## **Determination of Price**

The Offering price of the Offered Shares hereunder was determined by negotiation between the Corporation and the Agent.

## **Conditional Listing Approval**

The Corporation has applied to list its common shares on the Exchange. Listing will be subject to the Corporation fulfilling all of requirements of the Exchange.

## **Subscriptions by the Aggregate Pro Group**

All subscriptions by any member of the Aggregate Pro Group are subject to the applicable client priority rules and the general rule of the CPC Policy that no purchaser can: (i) directly or indirectly purchase more than 2% of the total Offered Shares offered under this Offering; and (ii) together with any Associates or Affiliates purchase more than 4% of the total Offered Shares offered under this Offering. Any common shares issued to any member of the Aggregate Pro Group prior to the date of this prospectus will be held in escrow pursuant to the CPC Policy.

Until Completion of the Qualifying Transaction, the aggregate number of common shares permitted to be owned directly or indirectly by the members of the Pro Group is 20% of the issued and outstanding common shares of the Corporation exclusive of common shares reserved for issuance at a future date. The Exchange will require that any securities issued to the Pro Group in connection with or in contemplation of the Qualifying Transaction will be required to be subject to a four month Exchange hold period and the securities certificates legended accordingly, as prescribed by Exchange Policy 3.2 – *Filing Requirements and Continuous Disclosure*.

The Agent has advised the Corporation that to the best of its knowledge and belief, none of the directors, officers, employees or contractors of the Agent or any Associate or Affiliate of the foregoing have subscribed for Offered Shares of the Corporation prior to this Offering and any subscriptions for Offered Shares of the Corporation by such persons under this Offering will be in accordance with the CPC Policy and related policies of the Exchange.

## **Restrictions on Trading**

Other than the initial distribution of the Offered Shares pursuant to this prospectus, the grant of the Agent's Option and the Overallotment Option and the grant of the Stock Options to the directors and officers of the Corporation, no securities of the Corporation will be permitted to be issued during the period between the date a receipt for the preliminary prospectus is issued by the securities commission that is designated the principal regulator and the time the common shares are listed for trading on the Exchange, except subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authorities grant a discretionary order.

## **Restrictions on Offerings**

The Corporation has agreed not to sell or issue, or negotiate or enter into an agreement to sell or issue, any common shares (or securities convertible or exchangeable into common shares) for a period of 60 days following the Closing Date of the Offering, without the prior written consent of the Agent, not to be unreasonably withheld, other than pursuant to (i) the exercise of the Agent's Option as disclosed in this Prospectus; and (ii) the grant or exercise of stock options issued pursuant to the Corporation's stock option plan.

## **Other Securities to be Distributed**

The Corporation intends to grant Stock Options to purchase concurrently with the Closing, 515,000 common shares assuming completion of a Minimum Offering or 990,000 common shares assuming completion of a Maximum Offering or up to 1,102,500 in the event the Overallotment Option is exercised in full, to its current directors and officers in accordance with the policies of the Exchange, which options are qualified for distribution under this prospectus. See "*Options to Purchase Securities*".

## DESCRIPTION OF SHARE CAPITAL

### Common Shares

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value of which, as at the date hereof, 2,400,000 are issued and outstanding as fully paid and non-assessable common shares in the capital of the Corporation and 7,500,000 Offered Shares are reserved for issuance pursuant to the Maximum Offering. See "*Plan of Distribution*".

In addition, a maximum of 750,000 common shares are reserved for issuance pursuant to the Agent's Option, a maximum of 1,102,500 common shares are reserved for issuance to directors and officers pursuant to the Stock Options. An additional maximum of 112,500 common shares are reserved for issuance pursuant to the Agent's Option if the Agent exercises the Overallotment Option in full. All common shares to be outstanding after completion of the Offering will be fully paid and non-assessable common shares in the capital of the Corporation. See "*Plan of Distribution*" and "*Options to Purchase Securities*".

The holders of common shares are entitled to vote at all meetings of shareholders of the Corporation, to receive dividends if, as and when declared by the directors and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation.

As at the date of this prospectus, the Corporation has no outstanding loans or other debt obligations and there has been no material change in the common share and loan capital of the Corporation since the date of its most recent balance sheet contained in the prospectus. See "*Prior Sales*" and "*Options to Purchase Securities*".

### Class B Common Shares

The Corporation is authorized to issue an unlimited number of class B common shares without nominal or par value of which, as at the date hereof, there are currently none issued and outstanding.

### Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares without nominal or par value of which, as at the date hereof, there are currently none issued and outstanding.

The Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the board of directors of the Corporation determines prior to the issue thereof. The Preferred Shares rank prior to the common shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding-up of the Corporation.

### Dividend Record and Policy

The Corporation has not paid any dividends on its outstanding common shares of the Corporation since the date of its incorporation. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, financial condition of the Corporation and other factors which the board of directors of the Corporation may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future. All of the common shares of the Corporation are entitled to an equal share in any dividends declared and paid.

## CAPITALIZATION

The following table sets forth information respecting the capitalization of the Corporation as at the date of the balance sheet contained herein and as at the date hereof, both before and after giving effect to the Offering.

| Designation of Security | Amount Authorized | Amount outstanding as of the date of the most recent balance sheet contained in the Prospectus <sup>(1)</sup> | Amount outstanding as of the date hereof <sup>(1)</sup> | Amount to be outstanding after giving effect to the Offering <sup>(2)(3)(4)(6)(7)</sup> |                                                    |
|-------------------------|-------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------|
|                         |                   |                                                                                                               |                                                         | Minimum Offering                                                                        | Maximum Offering                                   |
| Common Shares           | unlimited         | 2,100,000 Common Shares (\$105,000)                                                                           | 2,400,000 Common Shares (\$120,000)                     | 5,150,000 <sup>(5)</sup> Common Shares (\$395,000)                                      | 9,900,000 <sup>(5)</sup> Common Shares (\$870,000) |
| Class B Common Shares   | Unlimited         | Nil                                                                                                           | Nil                                                     | Nil                                                                                     | Nil                                                |
| Preferred Shares        | Unlimited         | Nil                                                                                                           | Nil                                                     | Nil                                                                                     | Nil                                                |

**Notes:**

- (1) As at the date of the most recent balance sheet contained herein and as at the date hereof, the Corporation had not commenced commercial operations. The Corporation issued an additional 300,000 common shares at an issuance price of \$0.05 per share on November 7, 2016.
- (2) The Corporation has reserved a maximum of 1,125,000 common shares, at \$0.10 per common share for issuance should the Agent exercise its Overallotment Option. See "Plan of Distribution".
- (3) Assuming completion of a Minimum Offering, a minimum of 515,000 common shares will be reserved for issuance pursuant to the Stock Options and, assuming completion of a Maximum Offering, 990,000 common shares (or 1,102,500 common shares if the Overallotment Option is exercised in full) will be reserved for issuance pursuant to the Stock Options, to be granted to directors and officers of the Corporation concurrently with the Closing and exercisable at a price per common share of \$0.10 for a period of five years from the date of grant. In addition, pursuant to the Agency Agreement, the Corporation has agreed to grant to the Agent, the Agent's Option on completion of the Offering to purchase an aggregate of between 275,000 common shares assuming the completion of a Minimum Offering and 750,000 common shares (or 862,500 common shares if the Overallotment Option is exercised in full) assuming the completion of a Maximum Offering, at a price of \$0.10 per common share, for a period of 24 months from the Listing Date. Assumes that the balance of the Agent's Commission and Corporate Finance Fee will be paid in cash. See "Plan of Distribution" and "Options to Purchase Securities".
- (4) See "Use of Proceeds".
- (5) Represents gross proceeds of this Offering and prior issues of the Corporation, before deducting the expenses of the Offering and the Previous Offering estimated at \$119,613 and the Agent's Commission equal to 10% of the gross proceeds from the sale of the Offered Shares. See "Use of Proceeds".
- (6) 2,400,000 of these common shares are subject to escrow restrictions. See "Escrowed Securities".
- (7) Excludes common shares issuable on exercise of the Overallotment Option. In the event the Overallotment Option is exercised in full, there will be 11,025,000 common shares, 862,500 Agent's Options and 1,102,500 Stock Options outstanding.

### Fully Diluted Share Capital

|                                                             | Number of Common Shares |                   | Percentage of Total |                  |
|-------------------------------------------------------------|-------------------------|-------------------|---------------------|------------------|
|                                                             | Minimum Offering        | Maximum Offering  | Minimum Offering    | Maximum Offering |
| (a) Issued as of the date of this Prospectus <sup>(1)</sup> | 2,400,000               | 2,400,000         | 40.40%              | 20.62%           |
| (b) Offered under the Prospectus                            | 2,750,000               | 7,500,000         | 46.30%              | 64.43%           |
| (c) Common shares reserved for future issue <sup>(2)</sup>  | 790,000                 | 1,740,000         | 13.30%              | 14.95%           |
| <b>Total</b>                                                | <b>5,940,000</b>        | <b>11,640,000</b> | <b>100%</b>         | <b>100%</b>      |

**Notes:**

- (1) See "Prior Sales".
- (2) The following common shares of the Corporation are reserved for future issuance:
  - (i) in the case of the Minimum Offering, 275,000 common shares on exercise of the Agent's Option and 515,000 common shares pursuant to the stock option plan; and
  - (ii) in the case of the Maximum Offering, 750,000 common shares on exercise of the Agent's Option and 990,000 common shares pursuant to the stock option plan
- (3) Excludes common shares issuable on exercise of the Overallotment Option. In the event the Overallotment Option is exercised in full, there will be 11,025,000 common shares, 862,500 Agent's Options and 1,102,500 Stock Options outstanding

## OPTIONS TO PURCHASE SECURITIES

### Agent's Option

Pursuant to the Agency Agreement, the Corporation has agreed to grant to the Agent the Agent's Option on completion of the Offering to purchase an aggregate of between 275,000 common shares assuming completion of a Minimum Offering and 750,000 common shares (or 862,500 Agent's Options if the Overallotment Option is exercised in full) assuming completion of a Maximum Offering, of the Corporation, at a price of \$0.10 per share, for a period of 24 months from the Listing Date. See "Plan of Distribution".

## Stock Options

The Corporation has adopted the Incentive Stock Option Plan and intends to enter into stock option agreements granting the Stock Options in accordance with the policies of the Exchange concurrently with the Closing, according to the following terms:

| Name                  | Number of common shares underlying Stock Options to be granted After Giving Effect to the Offering <sup>(2)</sup> |                              | Exercise or Base Price (\$/Security) | % of total Stock Options to be granted (Min/Max) (excludes Agent's Options) | Market Value of common shares underlying Stock Options on the date of grant (\$/Security) <sup>(1)</sup> | Expiry Date                |
|-----------------------|-------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------|
|                       | Minimum Offering                                                                                                  | Maximum Offering             |                                      |                                                                             |                                                                                                          |                            |
| Mohammad Fazil        | 222,841                                                                                                           | 428,365                      | \$0.10                               | 43.27% / 43.27%                                                             | N/A                                                                                                      | 5 years from date of grant |
| Gordon Anderson       | 74,263                                                                                                            | 142,789                      | \$0.10                               | 14.42% / 14.42%                                                             | N/A                                                                                                      | 5 years from date of grant |
| Scott M. Reeves       | 74,263                                                                                                            | 142,789                      | \$0.10                               | 14.42% / 14.42%                                                             | N/A                                                                                                      | 5 years from date of grant |
| Antarezia (Jie) Liang | 94,090                                                                                                            | 180,865                      | \$0.10                               | 18.27% / 18.27%                                                             | N/A                                                                                                      | 5 years from date of grant |
| William Eilers        | 49,543                                                                                                            | 95,192                       | \$0.10                               | 9.62% / 9.62%                                                               | N/A                                                                                                      | 5 years from date of grant |
| <b>TOTAL</b>          | <b>515,000</b>                                                                                                    | <b>990,000<sup>(3)</sup></b> |                                      | <b>100% / 100%</b>                                                          |                                                                                                          |                            |

**Notes:**

- (1) As the common shares were not listed on the Exchange at the date of the grant, the market value of the securities underlying the options on the date of grant is not available.
- (2) Stock Options to be granted concurrently with the Closing assuming completion of the Minimum Offering or Maximum Offering.
- (3) If the Overallotment Option is exercised in full, Incentive Stock Options to purchase up to 1,102,500 common shares will be granted assuming completion of the Maximum Offering.

There are no assurances that the Stock Options described above will be exercised in whole or in part.

The Corporation intends to grant Stock Options concurrently with the Closing to purchase, in aggregate, a maximum of 990,000 common shares, assuming completion of the Maximum Offering, or 515,000 common shares, assuming completion of the Minimum Offering, at \$0.10 per common share to the directors and officers of the Corporation. The Stock Options are qualified for distribution pursuant to this prospectus. The Incentive Stock Option Plan provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers and technical consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Corporation's issued and outstanding common shares, exercisable for a period of up to a maximum of ten years from the date of grant, provided that, until the completion of the Qualifying Transaction, the number of common shares reserved for issuance shall not exceed a maximum of 515,000 common shares assuming completion of the Minimum Offering, or 990,000 common shares (or 1,102,500 common shares if the Overallotment Option is exercised in full) assuming completion of the Maximum Offering. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the Optionee's position with the Resulting Issuer, provided that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction (including the options in the above table) will be subject to escrow restrictions until the issuance of the Final Exchange Bulletin. See "*Escrowed Securities*".

## PRIOR SALES

Since the date of incorporation of the Corporation, 2,400,000 common shares have been issued as follows.

| <b>Date</b>      | <b>Number of Common Shares</b> | <b>Issue Price Per Share</b> | <b>Aggregate Issue Price</b> | <b>Consideration Received</b> |
|------------------|--------------------------------|------------------------------|------------------------------|-------------------------------|
| January 29, 2015 | 2,100,000                      | \$0.05                       | \$105,000                    | Cash                          |
| November 7, 2016 | 300,000                        | \$0.05                       | \$15,000                     | Cash                          |
| <b>TOTAL</b>     | <b>2,400,000</b>               |                              | <b>\$120,000</b>             |                               |

All of the 2,400,000 Seed Shares issued and outstanding are subject to escrow in accordance with the CPC Policy. See "Escrowed Securities".

### **ESCROWED SECURITIES**

All of the 2,400,000 common shares issued prior to this Offering, at a price below \$0.10 per common share, all common shares that may be acquired from treasury of the Corporation by Non-Arm's Length Parties of the Corporation either under the Offering or otherwise prior to Completion of the Qualifying Transaction and all common shares acquired by members of the Aggregate Pro Group prior to this Offering will be deposited with the Escrow Agent under the Seed Share Escrow Agreement.

All common shares acquired on exercise of the Stock Options prior to the Completion of a Qualifying Transaction must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

In addition, all common shares of the Corporation acquired in the secondary market prior to the Completion of a Qualifying Transaction by a Person who is or becomes a Control Person are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Corporation held by Principals of the Resulting Issuer will also be escrowed. Notwithstanding the foregoing, common shares acquired by Principals of the Corporation or Principals of the Resulting Issuer pursuant to a private placement will not be subject to escrow provided that various conditions, as set forth in the CPC Policy, are met. See "Escrowed Securities on Private Placement".

The following table sets out, as at the date hereof, the number of common shares which are held in escrow.

| <b>Name and Municipality of Residence of Shareholder</b> | <b>Number of Common Shares Escrowed</b> | <b>Percentage of Common Shares of the Corporation Prior to Giving Effect to the Offering</b> | <b>Percentage of Common Shares of the Corporation After Giving Effect to the Offering<sup>(1)</sup></b> |                         |
|----------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------|
|                                                          |                                         |                                                                                              | <b>Minimum Offering</b>                                                                                 | <b>Maximum Offering</b> |
| <b>Mohammad Fazil</b><br>Calgary, Alberta                | 900,000                                 | 37.5%                                                                                        | 17.48%                                                                                                  | 9.09%                   |
| <b>Gordon Anderson</b><br>Calgary, Alberta               | 300,000                                 | 12.5%                                                                                        | 5.83%                                                                                                   | 3.03%                   |
| <b>Scott M. Reeves</b><br>Calgary, Alberta               | 300,000                                 | 12.5%                                                                                        | 5.83%                                                                                                   | 3.03%                   |
| <b>Antarezia (Jie) Liang</b><br>Toronto, Ontario         | 380,000                                 | 15.83%                                                                                       | 7.38%                                                                                                   | 3.84%                   |
| <b>William Eilers</b><br>Asheville, North Carolina, USA  | 200,000                                 | 8.33%                                                                                        | 3.88%                                                                                                   | 2.02%                   |
| <b>Richard Charlton</b><br>Calgary, Alberta              | 100,000                                 | 4.17%                                                                                        | 1.94%                                                                                                   | 1.01%                   |
| <b>Chai Guo Tang</b><br>Calgary, Alberta                 | 220,000                                 | 9.17%                                                                                        | 4.27%                                                                                                   | 2.22%                   |
| <b>TOTAL</b>                                             | <b>2,400,000</b>                        | <b>100.00%</b>                                                                               | <b>46.60%</b>                                                                                           | <b>24.24%</b>           |

**Note:**

(1) Assuming no Offered Shares or Overallotment Shares are purchased by these Persons under the Offering and assuming no exercise of the Agent's Option, Overallotment Option or Stock Options.

Where the common shares of the Corporation which are required to be held in escrow are held by a non-individual (a "**holding company**"), each holding company pursuant to the Seed Share Escrow Agreement, has agreed, or will agree, not to carry out any transactions during the currency of the Seed Share Escrow Agreement which would result in a change of control of the holding company, without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities that could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any Control Person of the holding company not to transfer shares of that company.

Under the Seed Share Escrow Agreement, 10% of the escrowed Seed 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 the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

If, upon the Completion of a Qualifying Transaction, the Corporation or the Resulting Issuer meets the Exchange's Tier 1 Minimum Listing Requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Seed Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 Issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange's prior consent must be obtained before a transfer within escrow of escrowed Seed Shares. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction.

If a Final Exchange Bulletin is not issued, the escrowed Seed Shares will not be released. Under the Seed Share Escrow Agreement, each Non-Arm's Length Party to the Corporation who holds escrowed Seed Shares acquired at a price below the offering price under this prospectus has irrevocably authorized and directed the Escrow Agent to immediately:

- (a) cancel all of those escrowed Seed Shares upon the issuance by the Exchange of a bulletin delisting the common shares; or
- (b) if the Corporation lists on NEX, either:
  - (i) cancel all Seed Shares purchased by Non-Arm's Length Parties to the CPC at a discount from the IPO price, in accordance with section 11.2(a) of the CPC Policy, or
  - (ii) subject to majority shareholder approval, cancel the number of Seed Shares purchased by Non-Arm's Length Parties to the CPC so that the average cost of the remaining Seed Shares is at least equal to the IPO price.

### **Escrowed Securities on Qualifying Transaction**

Generally, if at least 75% of the securities issued pursuant to the Qualifying Transaction are "Value Securities", then all the securities issued to Principals of the Resulting Issuer pursuant to the Qualifying Transaction will be deposited into escrow pursuant to a value security escrow agreement (the "**Value Security Escrow Agreement**"). "Value Securities" are securities issued pursuant to a transaction for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities that are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement. However, if fewer than 75% of the securities issued pursuant to the Qualifying Transaction are Value Securities, all securities issued pursuant to the Qualifying Transaction will be deposited into a surplus security escrow agreement (a "**Surplus Security Escrow Agreement**").

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the time period for release of securities from escrow. In the case of a Resulting Issuer that will be a Tier 2 Issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three year escrow release mechanism with 10% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable every 6 months thereafter, on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin. In the case of a Resulting Issuer that will be a Tier 2 Issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a 3-year escrow release mechanism with 5% of the escrowed securities releasable at the time of the Final Exchange Bulletin, 5% on the date which is 6 months after the Final Exchange Bulletin, 10% on each of the dates which are 12 and 18 months after the Final Exchange Bulletin, 15% on each of the dates which are 24 and 30 months after the Final Exchange Bulletin and 40% on the date which is 36 months after the Final Exchange Bulletin.

In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin and 25% of the escrowed securities being releasable every 6 months thereafter. In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for an 18 month escrow release mechanism with 10% of the escrowed

securities being releasable upon the issuance of the Final Exchange Bulletin, 20% on the date which is 6 months after the Final Exchange Bulletin, 30% on the date which is 12 months after the Final Exchange Bulletin and 40% on the date which is 18 months after the Final Exchange Bulletin.

### Escrowed Securities on Private Placement

Securities issued pursuant to a private placement to Principals of the Corporation and the proposed Resulting Issuer will generally be exempt from escrow requirements where:

- (a) the private placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the discounted market price, as determined in accordance with the policies of the Exchange; or
- (b) the private placement is announced concurrently with the Agreement in Principle and:
  - (i) at least 75% of the proceeds from the private placement are not from Principals of the Corporation or the proposed Resulting Issuer,
  - (ii) if subscribers, other than Principals of the Corporation or the proposed Resulting Issuer, will obtain securities subject to hold periods, then in addition to any resale restrictions under applicable securities legislation, any securities issued to such Principals will be subject to a four month hold period; and
  - (iii) none of the proceeds of the private placement are allocated to pay compensation or to settle indebtedness owing to Principals of the Resulting Issuer.

### PRINCIPAL SHAREHOLDERS

The following table lists those persons who own 10% or more of the issued and outstanding common shares as at the date hereof:

| Name and Municipality of Residence of Shareholder | Type of Ownership | Number of Common Shares | Percentage of Common Shares Owned Prior to Giving Effect to the Offering | Percentage of Common Shares Owned After Giving Effect to the Offering <sup>(1)(2)</sup> |                  |
|---------------------------------------------------|-------------------|-------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------|
|                                                   |                   |                         |                                                                          | Minimum Offering                                                                        | Maximum Offering |
| <b>Mohammad Fazil</b><br>Calgary, Alberta         | Direct            | 900,000                 | 37.5%                                                                    | 17.48%                                                                                  | 9.09%            |
| <b>Gordon Anderson</b><br>Calgary, Alberta        | Direct            | 300,000                 | 12.5%                                                                    | 5.83%                                                                                   | 3.03%            |
| <b>Antarezia (Jie) Liang</b><br>Toronto, Ontario  | Direct            | 380,000                 | 15.83%                                                                   | 7.38%                                                                                   | 3.84%            |
| <b>Scott Reeves</b><br>Calgary, Alberta           | Direct            | 300,000                 | 12.5%                                                                    | 5.83%                                                                                   | 3.03%            |
| <b>TOTAL</b>                                      |                   | <b>1,880,000</b>        | <b>78.33%</b>                                                            | <b>36.52%</b>                                                                           | <b>18.99%</b>    |

#### Notes:

- (1) Assuming that no Offered Shares or Overallotment Shares are purchased by this Person under the Offering and assuming no exercise of the Stock Options or Agent's Options.
- (2) On a fully diluted basis, assuming that no Offered Shares or Overallotment Shares are purchased by this Person under the Offering, but assuming the exercise of all of the Agent's Options and the exercise of the Stock Options to be granted to the directors and officers of the Corporation and assuming that the Overallotment Option is not exercised, Mohammad Fazil would own 18.90% (1,122,841 common shares) in the event of a Minimum Offering and 11.41% (1,328,365 common shares) in the event of a Maximum Offering, Gordon Anderson would own 6.30% (374,263 common shares) in the event of a Minimum Offering and 3.80% (442,789 common shares) in the event of a Maximum Offering, Antarezia (Jie) Liang would own 7.98% (474,090 common shares) in the event of a Minimum Offering and 4.82% (560,865 common shares) in the event of a Maximum Offering and Scott Reeves would own 6.30% (374,263 common shares) in the event of a Minimum Offering and 3.80% (442,789 common shares) in the event of a Maximum Offering. Mohammad Fazil, Gordon Anderson, Scott Reeves and Antarezia (Jie) Liang would collectively own approximately 39.49% (2,345,457 common shares) in the event of a Minimum Offering and 23.84% (2,774,808 common shares) in the event of a Maximum Offering of the issued and outstanding common shares after giving effect to the Offering.

## DIRECTORS, OFFICERS AND PROMOTER

The following is a list of the current directors, officers and the Promoter of the Corporation, their municipalities of residence, their current positions with the Corporation and their principal occupations during the past five years:

***Mohammad Fazil, Calgary, Alberta – President, Chief Executive Officer, Promoter and Director (Age: 54)***

Mr. Mohammad Fazil is the President, Chief Executive Officer, Promoter and a director of the Corporation. Mr. Fazil is also the legal and beneficial owner of 900,000 common shares of the Corporation amounting to 37.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Fazil will be granted an option to purchase up to 222,841 common shares assuming completion of a Minimum Offering, and up to 428,365 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Fazil has been active in venture capital for 20 years. He is the President, Chief Officer and a Director of ACL International Ltd. ("ACL"), an international oil and gas company listed on the TSX Venture Exchange, President and Director of Fulucal Productions Ltd., an active oil and gas company listed on the OTCBB and President of Scythian Biosciences Inc. (formerly Spartan Cannabis Corp. and prior to that, Valens Agritech Canada Inc.), a private medical marijuana company. Prior to ACL, Fulucal and Spartan he was employed by boutique investment dealers in Canada as a corporate finance professional focusing on raising funding junior listed issuers on the TSX and TSX Venture exchange.

Mr. Fazil will devote approximately 25% of his time necessary to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

***Gordon Anderson, Calgary, Alberta – Chief Financial Officer and Director (Age: 65)***

Mr. Gordon Anderson is the Chief Financial Officer and a director of the Corporation. Mr. Anderson is also the legal and beneficial owner of 300,000 common shares of the Corporation, amounting to 12.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Anderson will be granted an option to purchase up to 74,263 common shares assuming completion of a Minimum Offering, and up to 142,789 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Anderson holds a Bachelor of Education degree from the University of Regina (1975) and has been employed in a variety of sales and management positions with London Life since 1975. He presently owns an estate planning firm, Anderson & Associates Financial Corp., which is still associated with London Life. He currently holds the Chartered Life Underwriter (CLU), Chartered Financial Consultant (ChFC) and Certified Financial Planner (CFP) designations. Mr. Anderson owns Freestyle Holdings Corp. and numerous affiliated companies involved with real estate development and other investments. In addition, he has served as CFO, CEO and director of more than a dozen public companies trading on the TSX and TSX Venture Exchange, currently serving as a director of two public start-up companies.

Mr. Anderson will devote approximately 10% of his time necessary to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

***Scott M. Reeves, Calgary, Alberta – Corporate Secretary and Director (Age: 47)***

Mr. Reeves is Corporate Secretary and a director of the Corporation and is also the legal and beneficial owner of 300,000 common shares of the Corporation, amounting to 12.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Reeves will be granted an option to purchase up to 74,263 common shares assuming completion of a Minimum Offering, and up to 142,789 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Reeves is a partner at the law firm of TingleMerrett LLP. He has acted as corporate and securities counsel to numerous Canadian and International public and private corporations, including oil and gas, technology, mining and industrial issuers, and has wide experience in private and public debt and equity offerings, corporate acquisitions of assets and/or shares, corporate structuring and debt financing. He has extensive experience assisting issuers intending to list and operate on Canadian stock exchanges has taught nationally in the areas of exempt markets and e-Commerce financing. He

is currently a director and/or officer of the several Canadian public and private companies. Mr. Reeves has been with TingleMerrett LLP since 2003 prior to which he was with the Calgary office of a major national law firm. Mr. Reeves has a Bachelor of Commerce degree (hons.-1990) from the University of Alberta and a Bachelor of Laws (hons.- 1995) degree from the University of Alberta and is a current executive member of the Advisory Board of the TSX Venture Exchange.

Mr. Reeves will devote approximately 5% of his time necessary to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

***Antarezia (Jie) Liang, Toronto, Ontario – Director (Age: 35)***

Ms. Liang is a director of the Corporation and is also the legal and beneficial owner of 380,000 common shares of the Corporation, amounting to 15.83% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Ms. Liang will be granted an option to purchase up to 94,090 common shares assuming completion of a Minimum Offering, and up to 180,865 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Ms. Liang is a Director with Centrium Group, a wealth management company, since 2011. From October 2010 to December 2010, Ms. Liang was an investment manager with Cinaport Capital Inc. Prior to that, Ms. Liang was an investment banker with Mackie Research Capital Corporation (an investment dealer) from April 2008 to October 2010. Ms. Liang graduated from Dalhousie University with a Bachelor of Commerce degree majoring in Finance in 2007.

Ms. Liang will devote approximately 10% of her time necessary to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

***William Eilers, Asheville, North Carolina, USA – Director (Age: 39)***

Mr. Eilers is a director of the Corporation and is also the legal and beneficial owner of 200,000 common shares of the Corporation, amounting to 8.33% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Eilers will be granted an option to purchase up to 49,543 common shares assuming completion of a Minimum Offering, and up to 95,192 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Eilers is a lawyer in the State of Florida specializing in transactional law related to securities and entrepreneurial ventures. He represents hedge funds, investment bankers, brokers and high wealth individuals, crafting both public and private transactions that maximize investment while limiting securities law liabilities. He also works closely with management of publicly traded companies, maintaining SEC and alternative reporting compliance, including corporate actions under FINRA and DTC compliance. Mr. Eilers currently focuses on IPOs, mergers and acquisitions. Mr. Eilers is a graduate of North Carolina State University and University of Miami School of Law.

Mr. Eilers will devote approximately 10% of his time necessary to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

Prior to the completion of the Offering, the directors and officers of the Corporation collectively hold 86.67% of the common shares of the Corporation. Following the completion of the Offering, the directors and officers of the Corporation will collectively hold approximately 40.38% of the common shares assuming completion of the Minimum Offering and approximately 21.01% of the common shares assuming completion of the Maximum Offering of the Corporation (assuming no exercise of the Agent's Option, Overallotment Option and Stock Options and assuming no common shares are purchased by the directors and officers pursuant to the Offering).

Mr. Mohammad Fazil is the Promoter of the Corporation and, prior to the completion of the Offering, owns 37.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering.

In addition to any other requirements of the Exchange, the Exchange expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation believe that, on a collective basis, management

possesses the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

Each of the directors currently has employment outside of the Corporation, but has agreed to devote as much of his time to the business and affairs of the Corporation as necessary to complete the Corporation's Qualifying Transaction, and to continue to oversee the operations of the Corporation. In addition to any other requirements of the Exchange, the Exchange expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation, on a collective basis, possess the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

### Other Reporting Issuer Experience

The following table sets out the directors, officers and promoters of the Corporation that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

| <b>Name of Director<br/>Officer or Promoter</b> | <b>Name of<br/>Reporting Issuer</b>                            | <b>Name of<br/>Exchange<br/>or Market</b> | <b>Position</b>                        | <b>Term</b>                                  |
|-------------------------------------------------|----------------------------------------------------------------|-------------------------------------------|----------------------------------------|----------------------------------------------|
| Mohammad Fazil                                  | Fulucai Productions Ltd.                                       | OTCBB                                     | President & Director                   | July 2013 – Present                          |
|                                                 | ACL International Ltd.                                         | TSXV                                      | President, CEO & Director              | June 2015 – Present                          |
|                                                 | Georox Resources Inc.                                          | TSXV                                      | Director                               | May 27, 2016 - Present                       |
| Gordon Anderson                                 | Hodgins Auctioneers Inc.                                       | TSXV                                      | Director                               | July 2004 – June 2016                        |
|                                                 | Emedia Networks<br>International Corporation                   | TSXV                                      | Director                               | Apr 2007 – Jan 2014                          |
|                                                 | China 88 Capital Corp.                                         | TSX                                       | Director                               | Aug 2009 – Aug 2012                          |
|                                                 | A2 Acquisition Corp.                                           | TSXV                                      | Director                               | Feb 2015 – Present                           |
| Antarezia (Jie) Liang                           | Big Five Capital Corp.                                         | TSXV                                      | Director, CFO & Corporate<br>Secretary | Dec 2011 – Oct 2013                          |
| Scott Reeves                                    | Quattro Exploration &<br>Production Ltd.                       | TSXV                                      | Director & Corporate<br>Secretary      | Nov 2011 – Present                           |
|                                                 | Edge Resources Inc.                                            | TSXV                                      | Director & Corporate<br>Secretary      | June 2009 – April 2016                       |
|                                                 | Canyon Creek Food Company<br>Ltd.                              | TSXV                                      | Director & Corporate<br>Secretary      | Nov 2003 – Nov 2011<br>July 2013 – July 2014 |
|                                                 | Canyon Creek Food Company<br>Ltd.                              | TSXV                                      | Director                               | July 2013 – July 2014                        |
|                                                 | Forent Energy Ltd.<br>(successor to Seriatim<br>Ventures Inc.) | TSXV                                      | Director                               | May 2006 – July 2015                         |
|                                                 | Forent Energy Ltd.<br>(successor to Seriatim<br>Ventures Inc.) | TSXV                                      | Corporate Secretary                    | May 2006 – Jan 2016                          |
|                                                 | Perisson Petroleum Corp.                                       | TSXV                                      | Corporate Secretary                    | May 2015 – Present                           |
|                                                 | Perisson Petroleum Corp.                                       | TSXV                                      | Director                               | Nov 2016 – Present                           |
|                                                 | Guardian Exploration Inc.                                      | TSXV                                      | Director & Corporate<br>Secretary      | Nov 2006 – Oct 2013                          |
|                                                 | Seaway Energy Services Inc.                                    | TSXV                                      | Corporate Secretary                    | Oct 2006 – Feb 2012                          |
|                                                 | Silver Mountain Mines Inc.                                     | TSXV                                      | Corporate Secretary                    | Feb 2011 – June 2012                         |
|                                                 | Tallgrass Energy Corp.                                         | TSXV                                      | Corporate Secretary                    | April 2013 – June 2013                       |
|                                                 | Poplar Point Energy Ltd.                                       | N/A                                       | Corporate Secretary                    | Nov 2007 – Feb 2012                          |

### Committees

The Corporation currently has one committee, the Audit Committee, which consists of three directors:

Mohammad Fazil  
William Eilers; and  
Antarezia (Jie) Liang.

The members of the Audit Committee are financially literate, as defined by National Instrument 52-110. It is anticipated that two additional committees will be struck in future: Compensation Committee and the Corporate Governance Committee.

### **Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed below, no director, officer, Insider or Promoter or a shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within ten years before the date of the prospectus, has been, a director, officer, Insider or Promoter of any other Issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade or similar order, or an order that denied such Issuer access to any statutory exemptions for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Fazil is a director of Fulucai Productions Ltd. which was cease traded by the Alberta Securities Commission on August 18, 2014 for failure to file financial statements and management discussion and analysis for the fiscal period ended December 31, 2013. The cease trade remains outstanding.

Mr. Anderson was a director of Hodgins Auctioneers Inc. which was cease traded by the Alberta Securities Commission on May 6, 2014 and by the British Columbia Securities Commission on May 8, 2014 for failure to file financial statements and management discussion and analysis for the fiscal period ended December 31, 2013. The cease trades were revoked on July 31, 2014.

Mr. Reeves was a director and Corporate Secretary of Guardian Exploration Inc. ("**Guardian**") when, on May 1, 2008, due to the failure of Guardian to file its annual audited financial statements and management discussion and analysis for the year ended December 31, 2007, the Alberta Securities Commission issued a management cease trade order (the "**Guardian MCTO**") ordering the cessation of trading in the securities of Guardian by its senior management and directors, including Mr. Reeves. On June 6, 2008, the ASC, pursuant to the filing of the outstanding annual audited financial statements and management discussion and analysis of Guardian, revoked the Guardian MCTO.

On April 29, 2016, Edge Resources Inc., ("**Edge**"), of which Mr. Reeves was a director and corporate secretary, received an order of the Court of Queen's Bench of Saskatchewan appointing Grant Thornton as receiver over the company's Saskatchewan-based assets and, on September 2, 2016, received an order of the Court of Queen's Bench of Alberta appointing Grant Thornton as receiver over the company's Alberta-based assets.

Mr. Reeves is a director and Corporate Secretary of Quattro Exploration and Production Ltd. ("**Quattro**") when, on May 3, 2016, due to the failure of Quattro to file its annual audited financial statements and management discussion and analysis for the year ended December 31, 2015, the Alberta Securities Commission issued a management cease trade order (the "**Quattro MCTO**") ordering the cessation of trading in the securities of Quattro by its senior management and directors, including Mr. Reeves. On June 15, 2016, the ASC, pursuant to the filing of the outstanding annual audited financial statements and management discussion and analysis of Quattro, revoked the Quattro MCTO.

On September 8, 2016, Quattro received an order from the Court of Queen's Bench of Alberta granting creditor protection pursuant to the *Companies' Creditors Arrangement Act* (Alberta). The order was extended by the court until November 30, 2016 on October 7, 2016.

### **Penalties or Sanctions**

Other than as disclosed below, no director, officer, Insider or Promoter of the Corporation, or a shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would likely be considered important to a reasonable investor in making an investment decision.

On May 8, 1996, Mr. Anderson entered into a settlement agreement with the Alberta Securities Commission whereby he was fined \$750 for failing to report an indirect acquisition of common shares of Western Canadian Entertainment Corporation ("**WCEC**") while a senior officer and director of WCEC.

## Personal Bankruptcies

No director, officer, Insider or Promoter of the Corporation, or a shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

## Conflicts of Interest

There are potential conflicts of interest to which the directors, officers, Insiders and Promoters of the Corporation will be subject in connection with the operations of the Corporation. All of the directors, officers, Insiders and Promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the search by the Corporation for businesses or assets in order to close a Qualifying Transaction. Accordingly, situations may arise where some or all of the directors, officers, Insiders and Promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Business Corporations Act* (Alberta).

## Executive Compensation

Except as set out below or otherwise disclosed in this prospectus, prior to Completion of a Qualifying Transaction, no payment of any kind has been made, or will be made, directly or indirectly, by the Corporation to a Non-Arm's Length Party to the Corporation or a Non-Arm's Length Party to the Qualifying Transaction, or to any person engaged in investor relations activities in respect of the securities of the Corporation or any Resulting Issuer by any means, including:

- (a) remuneration, which includes but is not limited to:
  - (i) salaries;
  - (ii) consulting fees;
  - (iii) management contract fees or directors' fees;
  - (iv) finder's fees;
  - (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

However, the Corporation may reimburse Non-Arm's Length Parties for the Corporation's reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value ("**Permitted Reimbursement**"). There have been no such reimbursements since incorporation. No reimbursement may be made for any payment made to lease or buy a vehicle.

The directors and officers of the Corporation will also be granted Stock Options as more particularly described in "*Options to Purchase Securities*".

Following Completion of the Qualifying Transaction, it is anticipated that the Corporation shall pay compensation to its directors and officers. However, no payment other than the Permitted Reimbursements will be made by the Corporation or by any party on behalf of the Corporation, after Completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred or in connection with the Qualifying Transaction.

## PROMOTERS

Mohammad Fazil is considered to be the Promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. See "*Prior Sales*", "*Directors, Officers and Promoters*", "*Principal Shareholders*" and "*Options to Purchase Securities - Stock Options*".

## DILUTION

Purchasers of Offered Shares under this prospectus will suffer an immediate dilution of approximately 23.3% or \$0.0233 per Offered Share in the event of a Minimum Offering, and 12.1% or \$0.0121 per Offered Share (or 10.9% or \$0.0109 per Offered Share if the Overallotment Option is exercised in full) in the event of a Maximum Offering on the basis of there being 5,150,000 common shares of the Corporation issued and outstanding following completion of a Minimum Offering and 9,900,000 common shares (or 11,025,000 common shares if the Overallotment Option is exercised in full) of the Corporation issued and outstanding following completion of a Maximum Offering. Dilution has been computed on the basis of total gross proceeds to be raised by this prospectus and from sales of securities prior to the filing of this prospectus, without deduction of commissions or related expenses incurred or to be incurred in connection with the Offering by the Corporation.

| Item                                                 | Minimum Offering | Maximum Offering | Maximum Offering and Full Exercise of Overallotment Option |
|------------------------------------------------------|------------------|------------------|------------------------------------------------------------|
| Gross proceeds of prior share issues                 | \$120,000        | \$120,000        | \$120,000                                                  |
| Gross proceeds of this Offering                      | \$275,000        | \$750,000        | \$862,500                                                  |
| <b>Total gross proceeds after this Offering</b>      | <b>\$395,000</b> | <b>\$870,000</b> | <b>\$982,500</b>                                           |
| Offering price per Offering Share                    | \$0.10           | \$0.10           | \$0.10                                                     |
| Proceeds per Offering Share after this Offering      | \$0.0767         | \$0.0879         | \$0.0891                                                   |
| Dilution per Offering Share to subscriber            | \$0.0233         | \$0.0121         | \$0.0109                                                   |
| Percentage of dilution in relation to Offering price | 23.3%            | 12.1%            | 10.9%                                                      |

## RISK FACTORS

A purchase of Offered Shares of the Corporation and the purchaser's investment will be highly speculative due to the substantial risk of the Corporation's business and its present stage of development. The following are risk factors associated with the Corporation, which list is not exhaustive:

- (a) the Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction. See "*Business of the Corporation - Proposed Operations until Completion of a Qualifying Transaction*";
- (b) the directors and officers of the Corporation will devote only a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time. See "*Directors, Officer and Promoter - Conflicts of Interests*";
- (c) assuming completion of the Offering, an investor will suffer an immediate dilution to its investment of approximately 23.3% or \$0.0233 per Offered Share in the event of a Minimum Offering and 12.1% or \$0.0121 per Offered Share (or 10.9% or \$0.0109 per Offered Share if the Overallotment Option is exercised in full) in the event of a Maximum Offering, calculated as set forth under "*Dilution*" above;
- (d) the Corporation is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Corporation is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Corporation. In such event, the Corporation will seek satisfactory replacements but there can be no guarantee that appropriate personnel may be found;
- (e) investment in the Offered Shares is highly speculative given the proposed nature of the Corporation's business and its present stage of development;
- (f) there can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell its Offered Shares;
- (g) until Completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business

other than the identification and evaluation of potential Qualifying Transactions. See "*Business of the Corporation - Proposed Operations until Completion of a Qualifying Transaction*";

- (h) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
- (i) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- (j) completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval. See "*Business of the Corporation - Filings and Shareholder Approval of a Non-Arm's Length Qualifying Transaction*";
- (k) unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the common shares;
- (l) upon public announcement of a proposed Qualifying Transaction, trading in the common shares of the Corporation will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The common shares of the Corporation will be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction. See *Business of the Corporation - Trading, Halts, Suspensions and Delisting*";
- (m) trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required. See "*Business of the Corporation - Trading, Halts, Suspensions and Delisting*";
- (n) the Exchange will generally suspend trading in the Corporation's common shares or delist the Corporation in the event that the Exchange has not issued a Final Exchange Bulletin within 24 months from the date of listing. See "*Business of the Corporation - Trading, Halts, Suspensions and Delisting*";
- (o) neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- (p) in the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service of notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts;
- (q) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation. See "*Business of the Corporation - Method of Financing*";
- (r) subject to prior acceptance by the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of \$225,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan. See "*Use of Proceeds - Permitted Use of Funds*";
- (s) a maximum of \$25,000 in aggregate may also be advanced as a non-refundable deposit, unsecured deposit or advance to a target business, to preserve assets without prior Exchange acceptance and there is a risk that the Company may lose said sum if the Qualifying Transaction does not complete; and

- (t) if the Offered Shares are not listed and posted for trading on the Exchange at or prior to the time of the Closing of the Offering, the Offered Shares will not be a "qualified investment" for a trust governed by an Investment Plan (as such term is defined under the heading "Eligibility for Investment") and adverse tax consequences will arise for an Investment Plan that acquires Offered Shares and for the holder or annuitant, as the case may be, of such Investment Plan. Notwithstanding that an Offered Share may be a qualified investment, if the Offered Shares are a "prohibited investment" (as such term is defined under the heading "Eligibility for Investment") for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax in respect of the Offered Shares.

As a result of these factors, this Offering is suitable only for investors who are willing to rely solely on management of the Corporation and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the Offered Shares.

## **LEGAL PROCEEDINGS**

The Corporation is not currently a party to any actual or pending legal proceedings, nor is the Corporation currently contemplating any legal proceedings, which are material to its business or of which any of its assets are likely to be subject. Management of the Corporation is currently not aware of any legal proceedings contemplated against the Corporation.

## **RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENT**

Neither the Corporation nor any of its directors or officers are a "related" or "connected issuer" as such terms are defined in National Instrument 33-105, "*Underwriting Conflicts*" of the Agent.

## **RELATIONSHIP BETWEEN THE CORPORATION AND PROFESSIONAL PERSONS**

No beneficial interest, direct or indirect, in any securities or properties of the Corporation or of an associate or affiliate of the Corporation, is held by a professional person, a responsible solicitor or any partner of a responsible solicitor's firm, other than Mr. Scott Reeves, a partner of TingleMerrett LLP, who holds 300,000 common shares.

Other than Mr. Reeves, no professional person, nor the responsible solicitor or any partner of the responsible solicitor's firm is, or is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an associate or affiliate of the Corporation, or a promoter of the Corporation or of an associate or affiliate of the Corporation.

In this section, "professional person" means a person whose profession gives authority to a statement made by the person in the person's professional capacity and includes a barrister and solicitor, a public accountant, an appraiser, an auditor, an engineer and a geologist.

Certain legal matters relating to this Offering will be passed upon by TingleMerrett LLP on behalf of the Corporation, and by Gowling WLG (Canada) LLP on behalf of the Agent.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

### **Auditor**

The auditor of the Corporation is NVS Chartered Accountants Professional Corporation, 100 Allstate Parkway, Suite 303, Markham, Ontario, L3R 6H3.

### **Transfer Agent and Registrar**

The registrar and transfer agent of the common shares of the Corporation is Computershare Trust Company of Canada, 600, 530 - 8<sup>th</sup> Ave SW, Calgary, AB, T2P 3S8.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of directors, officers and any shareholder who beneficially own, directly or indirectly, more than 10% of the outstanding common shares or any known Associates or Affiliates of such Persons, in

any transaction since incorporation of the Corporation, or in any proposed transaction which has materially affected or would materially affect the Corporation.

### **MATERIAL CONTRACTS**

The Corporation has not entered into any contracts material to investors in the common shares hereunder, other than the following:

- (a) Registrar and Transfer Agent Agreement dated as of February 28, 2016 between the Corporation and Computershare Trust Company of Canada. See "*Auditor, Transfer Agent and Registrar*".
- (b) Agency Agreement dated as of ●, 2016 between the Corporation and the Agent. See "*Plan of Distribution*".
- (c) Seed Share Escrow Agreement dated as of ●, 2016 between the Corporation, the Escrow Agent and those shareholders that executed such agreement. See "*Escrowed Securities*".
- (d) Incentive Stock Option Plan dated as of April 15, 2016. See "*Options to Purchase Securities*".

Copies of these agreements will be available for inspection at the registered office of the Corporation, located at Suite 1250, 639 – 5<sup>th</sup> Ave. SW, Calgary, Alberta T2P 0M9 during ordinary business hours while the Offered Shares offered by this prospectus are in the course of distribution and for a period of 30 days thereafter.

### **OTHER MATERIAL FACTS**

To the Corporation's knowledge, there are no other material facts about the Offered Shares being distributed that are not otherwise disclosed in this prospectus, or are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the Offered Shares being distributed.

### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in the Offering Jurisdictions provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus or any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## DEPOSITORY SERVICES

Except in certain limited circumstances: (i) the Offered Shares will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Offered Shares will not be issued to purchasers; and (iii) purchasers will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares are purchased.

The ability of a beneficial owner of Offered Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the Corporation nor the Agent will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Offered Shares held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Offered Shares; or (iii) any advice or representation made by or with respect to CDS and those contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and persons, other than CDS participants, having an interest in the Offered Shares must look solely to CDS participants for payments made by or on behalf of the Corporation to CDS in respect of the Offered Shares.

## ELIGIBILITY FOR INVESTMENT

In the opinion of TingleMerrett LLP, counsel for the Corporation, at the time of Closing on the Closing Date, provided that the Offered Shares are at that time listed and posted for trading on a designated stock exchange (which includes Tiers 1 and 2 of the Exchange), the Offered Shares will, at that time, be qualified investments under the Income Tax Act (Canada) (the "**Tax Act**") and the regulations thereto in effect on the date hereof for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered disability savings plan, deferred profit sharing plan, registered education savings plan or tax-free savings account ("**TFSA**"), all as defined in the Tax Act (collectively, the "**Investment Plans**").

The Offered Shares are not currently listed on a designated stock exchange and the Corporation is not currently a "public corporation", as that term is defined in the Tax Act. The Corporation has applied to list the Offered Shares on the Exchange as of the day before the closing of the Offering, followed by an immediate halt in trading of the Offered Shares in order to allow the Corporation to satisfy the conditions of the Exchange and to have the Offered Shares listed and posted for trading prior to the issuance of the Offered Shares on the Closing of the Offering. The Corporation must rely on the Exchange to list the Offered Shares on the Exchange and have them posted for trading prior to the issuance of the Offered Shares on the Closing of the Offering and to otherwise proceed in such manner as may be required to result in the Offered Shares being listed on the Exchange at the time of their issuance on Closing. If the Offered Shares are not listed and posted for trading on the Exchange at the time of their issuance on the Closing of the Offering, the Offered Shares will not be qualified investments for the Investment Plans at that time.

Notwithstanding that an Offered Share may be a qualified investment, if the Offered Shares are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF (a "**Registered Plan**"), the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, (such holder or annuitant being a "**Controlling Individual**" of the Registered Plan) will be subject to a penalty tax in respect of the Offered Shares as set out in the Tax Act. An Offered Share will generally not be a prohibited investment for a trust governed by a Registered Plan provided that the Controlling Individual of the Registered Plan deals at arm's length with the Corporation for the purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Corporation. In general terms, a Controlling Individual of a Registered Plan will have a significant interest in the Corporation if the Registered Plan, the Controlling Individual, and other persons not dealing at arm's length with the Controlling Individual together, directly or indirectly, own not less than 10% of the outstanding Offered Shares or of any other class of shares of the Corporation or of any other corporation that is related to the Corporation. Investors should consult their own tax advisers with respect to whether Offered Shares will be a prohibited investment having regard to their particular circumstances.

**FINANCIAL STATEMENTS**

**Financial Statements of the Corporation, audited for the year ended October 31, 2015 and unaudited for the nine month period ended July 31, 2016, are attached.**

Financial Statements of:  
**Harbour Star Capital Inc.**  
October 31, 2015

Together with Independent  
Auditor's Report

## MANAGEMENT'S RESPONSIBILITY

The management of **Harbour Star Capital Inc.** is responsible for the preparation of the Corporation's financial statements and the preparation and presentation of information in the Annual Report. The financial statements have been prepared in accordance with accounting principle generally accepted under International Financial Reporting Standards, and are considered by management to present fairly the financial position and operating results of the Corporation.

The Corporation maintains various systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The Corporation's audit committee is comprised of independent directors and a management representative and is appointed by the Board of Directors annually. The committee meets periodically with the Corporation's management and independent auditors to review the financial statements and the independent auditors' report. The audit committee has approved the financial statements and reported its findings to the Board of Directors.

The Corporation's independent auditors, NVS Chartered Accountants Professional Corporation, have examined the financial statements and their report follows.

Scott M. Reeves  
Director  
January 4, 2016

Mo Fazil  
President  
January 4, 2016

## INDEPENDENT AUDITOR'S REPORT

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To the shareholders of  
**Harbour Star Capital Inc.:**

We have audited the Corporation's financial statements of **Harbour Star Capital Inc.**, which comprise the statement of financial position as at **October 31, 2015**, and the statements of comprehensive loss, and changes in shareholders' equity and cash flows for the period **October 24, 2014 to October 31, 2015** 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.

**Auditor's 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 auditors consider 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 is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Harbour Star Capital Inc.** as at **October 31, 2015**, and its financial performance and its cash flows for the period **October 24, 2014 to October 31, 2015** in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

*MVS Chartered Accountants Professional Corporation*

Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

Markham, Ontario  
January 4, 2016

# Harbour Star Capital Inc.

## Statement of Financial Position

| As at October 31, | 2015 | 2014 |
|-------------------|------|------|
|-------------------|------|------|

### ASSETS

#### Current assets

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Cash and cash equivalents (Note 6) | \$ 63,632 | \$ 45,000 |
| Prepaid Expenses                   | 17,875    | -         |

|  |           |        |
|--|-----------|--------|
|  | \$ 81,507 | 45,000 |
|--|-----------|--------|

### LIABILITIES

#### Current liabilities

|                                                   |          |      |
|---------------------------------------------------|----------|------|
| Accounts payable and accrued liabilities (Note 7) | \$ 1,028 | \$ - |
| Due to related party                              | 1,871    | -    |

|  |       |   |
|--|-------|---|
|  | 2,899 | - |
|--|-------|---|

### SHAREHOLDERS' EQUITY

|                        |          |        |
|------------------------|----------|--------|
| Capital stock (Note 8) | 105,000  | 45,000 |
| Retained deficit       | (26,392) | -      |

|  |        |        |
|--|--------|--------|
|  | 78,608 | 45,000 |
|--|--------|--------|

|  |           |        |
|--|-----------|--------|
|  | \$ 81,507 | 45,000 |
|--|-----------|--------|

Approved on behalf of the Board:

"Scott M. Reeves" (signed) Director

"Mo Fazil" (signed) Director

## Harbour Star Capital Inc.

### Statement of Changes in Shareholders' Equity

|                                     | Share<br>Capital | Other<br>Capital<br>Reserves | Deficit     | Total<br>Shareholders'<br>Equity |
|-------------------------------------|------------------|------------------------------|-------------|----------------------------------|
| Balance, October 23, 2014           | \$ -             | \$ -                         | \$ -        | \$ -                             |
| Issuance of share capital           | 45,000           | -                            | -           | 45,000                           |
| Balance, October 31, 2014           | \$ 45,000        | \$ -                         | \$ -        | \$ 45,000                        |
| Balance, October 31, 2014 (Note 8)  | \$ 45,000        | \$ -                         | \$ -        | \$ 45,000                        |
| Income (loss) for the year          | -                | -                            | (26,392)    | (26,392)                         |
| Issuance of share capital, (Note 8) | 60,000           | -                            | -           | 60,000                           |
| Balance, October 31, 2015           | \$ 105,000       | \$ -                         | \$ (26,392) | \$ 78,608                        |

# Harbour Star Capital Inc.

## Statement of Loss and Comprehensive Loss

For the period from incorporation on October 24, 2014 to October 31, 2015

|                                                      |             |
|------------------------------------------------------|-------------|
| <b>REVENUE</b>                                       | \$ -        |
| <b>EXPENSES</b>                                      |             |
| Filing and stock exchange fees                       | 2,500       |
| Office and general                                   | 1,313       |
| Professional fees                                    | 22,579      |
|                                                      | 26,392      |
| <b>NET LOSS AND COMPREHENSIVE LOSS</b>               | (26,392)    |
| <b>RETAINED EARNINGS, BEGINNING</b>                  | -           |
| <b>RETAINED DEFICIT, ENDING</b>                      | \$ (26,392) |
| <b>Loss per share</b>                                |             |
| Basic (Note 10)                                      | \$ (0.01)   |
| Diluted (Note 10)                                    | \$ (0.01)   |
| <b>Weighted average number of shares outstanding</b> |             |
| Basic (Note 10)                                      | 2,100,000   |
| Diluted (Note 10)                                    | 2,100,000   |

# Harbour Star Capital Inc.

## Statement of Cash Flows

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For the period from incorporation on October 24, 2014 to October 31, 2015

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### OPERATING ACTIVITIES

|                                                      |             |
|------------------------------------------------------|-------------|
| Net loss                                             | \$ (26,392) |
| Changes in non-cash working capital                  |             |
| Decrease (increase) in prepaids                      | \$ (17,875) |
| Increase in accounts payable and accrued liabilities | 1,028       |

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**Cash flows relating to operating activities** (43,239)

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### FINANCING ACTIVITIES

|                                        |       |
|----------------------------------------|-------|
| Advances from (repayments to) director | 1,871 |
|----------------------------------------|-------|

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**Cash flows relating to financing activities** 1,871

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### INVESTING ACTIVITIES

|                           |         |
|---------------------------|---------|
| Increase in share capital | 105,000 |
|---------------------------|---------|

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**Cash flows relating to investing activities** 105,000

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**NET INCREASE IN CASH AND CASH EQUIVALENTS** 63,632

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Cash and cash equivalents, beginning -

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**Cash and cash equivalents, ending** \$ 63,632

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# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **1. NATURE OF BUSINESS**

Harbour Star Capital Inc. (the "Corporation") was incorporated under the Business Corporations Act of Ontario on October 24, 2014. The Corporation is a Capital Pool Company as defined in Exchange Policy 2.4. The principal business of the Corporation is the identification and evaluation of assets or businesses, and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder and regulatory approval. The Corporation's principal and registered office is 1250, 639 - 5 Avenue SW, Calgary, AB, T2P 0M9.

The Corporation's ability to continue as a going concern is dependent upon the Corporation's ability to identify, evaluate and complete a Qualifying Transaction (as such term is defined in Exchange Policy 2.4). Until completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. With the consent of the Exchange, the Corporation may raise additional funds. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to identify or complete a suitable Qualifying Transaction within the permitted time prescribed by Exchange Policy 2.4.

### **2. BASIS OF PRESENTATION**

#### **Adoption of International Financial Reporting Standards [IFRS 1 (24)]**

Effective October 24, 2014, the Corporation adopted the requirements of the CPA Canada Handbook - Accounting, to apply the new accounting framework: International Financial Reporting Standards (IFRS). These are the Corporation's first financial statements prepared in accordance with IFRS and the transitional provisions of IFRS 1. First-time Adoption of International Financial Reporting Standard which have been applied retrospectively. The accounting policies set out below have been applied in preparing the financial statements for the period October 31, 2015.

The Corporation has not previously presented financial statements, therefore the adoption of IFRS had no impact on the previously reported assets, liabilities and equity of the Corporation, and accordingly no adjustments have been recorded in the comparative statements and financial position, statement of changes in equity, statement of earnings and comprehensive income, and the statement of cash flows. Certain of the Company's disclosures included in the financial statements reflected the new disclosures

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **2. BASIS OF PRESENTATION (CONT'D)**

#### **Statement of Compliance**

These financial statements of the Corporation, approved by the Board of Directors on January 4, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") effective for the period ended October 31, 2015 using the significant accounting policies outlined in Note 3.

Management of the Corporation prepared the financial statements of the Corporation during November 2015, and the Board of Directors approved them. The Board of Directors approved them at their meeting on January 4, 2016.

The audited financial statements of the Corporation are drawn up in Canadian dollars. Amounts are stated in and recorded to the nearest thousand of Canadian dollars except where otherwise indicated.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Cash and cash equivalents and cash flows**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. The Corporation uses the indirect method of reporting cash flow from operating activities.

#### **(b) Share capital**

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

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of loss and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of profit and loss and comprehensive loss.

#### (d) Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

#### Current income tax

Current income tax assets and liabilities for the respective and prior years 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 reporting date, in the country where the Corporation operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Deferred tax

Deferred tax is provided using the liability 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 tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in the subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Deferred tax (cont'd)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

#### **(e) Earnings (Loss) Per Share**

The Corporation presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated using the weighted average number of common shares that are outstanding during the period. Diluted earnings (loss) per share are calculated using the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury method. The treasury method assumes that the proceeds from the issuance of potential common shares are used to purchase common shares at the average share price during the period.

#### **(f) Financial instruments – initial recognition and subsequent measurement**

##### **(i) Financial Assets**

##### **Initial recognition and measurement**

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Corporation's financial assets include cash and cash equivalents, trade and other accounts receivable.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Financial instruments – initial recognition and subsequent measurement (Cont'd)

##### (i) Financial Assets (cont'd)

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ('FVTPL') includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of profit and loss and comprehensive loss. Cash and cash equivalents are carried within this category.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit and loss and comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit and loss and comprehensive income. The losses arising from impairment are recognized in the statement of profit and loss and comprehensive loss. Trade and other receivables are carried within this category.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(f) Financial instruments – initial recognition and subsequent measurement (Cont'd)**

##### **(i) Financial Assets (cont'd)**

##### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments are classified as held-to-maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit and loss and comprehensive income. The losses arising from impairment are recognized in the statement of profit and loss and comprehensive loss. The Corporation did not have any held-to-maturity investments during the period ended October 31, 2015.

##### **Available-for-sale financial investments**

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor held to maturity. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income (loss) in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the statement of profit and loss and comprehensive income in finance costs and removed from the available-for-sale reserve.

The Corporation did not have any available-for-sale financial investment during the period ended October 31, 2015.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Financial instruments – initial recognition and subsequent measurement (Cont'd)

##### (i) Financial Assets (cont'd)

##### Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Corporation has transferred substantially all the risks and rewards of the asset, or

(b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset.

In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay. The Corporation has no such "pass-through" arrangements for the period ending October 31, 2015.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(f) Financial instruments – initial recognition and subsequent measurement (Cont'd)**

##### **(ii) Impairment of financial assets**

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### **Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Corporation first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss had incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit that have not yet been incurred. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit and loss and comprehensive loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit and loss and comprehensive income.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (ii) Impairment of financial assets (cont'd)

##### Financial assets carried at amortized cost (cont'd)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit and loss and comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

##### Available-for-sale financial investments

For available-for-sale financial investments, the Corporation assesses at each reporting year whether there is objective evidence that an investment or a group of investments is impaired. The Corporation did not hold available-for-sale financial investments for the period ending October 31, 2015.

#### (iii) Financial liabilities

##### Initial recognition and measurement

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss, loans and borrowings, and other liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Corporation's financial liabilities include accounts payable and accrued liabilities, deferred revenue, and debentures. All financial liabilities are measured as loans, borrowings and other liabilities.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(iii) Financial liabilities (cont'd)**

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit and loss and comprehensive income.

The Corporation has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

##### **Loans, borrowings and other liabilities**

After initial recognition, loans, borrowings, and other liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit and loss and comprehensive loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost on the statement of profit and loss and comprehensive income. All financial liabilities are classified within this category.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(iii) Financial liabilities (cont'd)**

##### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit and loss and comprehensive income.

#### **(iv) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount 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.

#### **(v) Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs. The Corporation does not hold any such instruments as of October 31, 2015.

For financial instruments not traded in an active market, such as the convertible debentures, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided within these notes.

#### **(vi) Transaction costs**

Transaction costs for financial instruments classified as FVTPL are recognized as an expense, in the year they were incurred. For all non-FVTPL financial instruments, they are capitalized and amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(vii) Embedded derivatives**

IAS 39 requires that under certain conditions, an embedded derivative be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. The Corporation did not hold any embedded derivatives as at October 31, 2015.

#### **(g) Derivative financial instruments and hedge accounting**

The Corporation has not entered into any derivative financial instruments and has not applied hedge accounting for the period ending October 31, 2015.

#### **(h) Leases**

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit and loss and comprehensive loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. For the period ending October 31, 2015 the Corporation did not hold any finance leases.

Operating lease payments are recognized as an expense in the statement of profit and loss and comprehensive loss on a straight line basis over the lease term.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the Corporation's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting years. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

In the process of applying the Corporation's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognized in the financial statements.

#### **Impairment of non-financial assets**

Impairment exists when the carrying value of a non-financial asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's budget and do not include restructuring activities, if any, that the Corporation is not yet committed to or significant future investments that will enhance the non-financial asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash-generating units may include a sensitivity analysis.

#### **Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long-term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (CONT'D)**

#### **Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **Going concern**

The Corporation's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon the Corporation's ability to obtain the ongoing support of its lenders, investors, obtain profitable operations, and raise additional capital. These audited financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that would necessary should the Corporation not be able to continue as a going concern, and such adjustments could be material.

### **5. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. In certain cases, the Company has early adopted the new standards, amendments, and interpretations as noted below.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement, unless already early adopted. Information on new standards, amendments, and interpretations are provided below.

The IASB has and will continue to issue a collection of amendments as part of its annual project "Improvements to IFRSs." The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology and for narrow clarification. They consist mainly of editorial changes to existing standards. Except as otherwise specified, the amendments were applied for annual periods beginning on or after July 1, 2014. The adoption of these changes on October 24, 2014 did not have an impact on the presentation of the Company's financial position or results of operations.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The International Accounting Standards Board (IASB) completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 *Financial Instruments* in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

The new standard of IFRS 9 defines two instead of four measurement categories for financial assets, with classification to be based partly on the Company's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. Fair value of financial liabilities will require the reporting of the corporation's own credit risk adjustments.

During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. As part of IFRS 9 the IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and it lowers the threshold for recognition of full lifetime expected losses.

IFRS 9 introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

Application of IFRS 9 is effective January 1, 2018. The Corporation is currently assessing the impacts of IFRS 9 and expects to early adopt on October 1, 2015. No material impact on the statement of financial position or results of operations is expected from the adoption of IFRS 9.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

IFRS 15 *Revenue from Contracts with Customers* was issued by the IASB on May 28, 2014 and replaces the previous revenue standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations on revenue recognition: IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. IFRS 15 is effective for years beginning on or after January 1, 2017. The Corporation has assessed IFRS 15 and there are no material impacts expected on the financial results of the Corporation. The Corporation anticipates early adoption of IFRS 15 in its next fiscal year commencing November 1, 2015.

The following were issued by the IASB for years starting January 1, 2014 or after and were all adopted by the Corporation during the fiscal period October 31, 2015. There was no impact on the financial statements or within the note disclosure from the early adoption of these changes.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11, and IFRS 12).
- *Offsetting Financial Assets and Financial Liabilities* (amendment to IAS 32) issued by the IASB in December 2011 and effective January 1, 2014. The Corporation does not currently offset assets or liabilities.
- *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) issued by the IASB in October 2012 and effective January 1, 2014.
- *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39) issued by the IASB June 2013 and effective January 1, 2014. The Corporation does not apply hedge accounting.
- *Recoverable Amount Disclosures for Non Financial Assets*, issued by the IASB in May 2013 and effective January 1, 2014.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective 2013). The Corporation does not perform strip mining.
- IFRIC 21 *Levies* issued by the IASB in May 2013 and effective January 1, 2014. The Corporation has no levies applied against it.
- IFRS 14 *Regulatory Deferral Accounts*, issued by the IASB January 2014 effective for periods starting on or after January 1, 2016. The Corporation is not a regulatory entity.
- *Defined Benefits Plans; employee contribution* (amendment to IAS 19) was issued in November 2013 and is effective July 1, 2014. The Corporation has no defined benefits plan.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The IASB has issued the following updates to the Standards, of which they are all effective for years starting after January 1, 2016:

- *Accounting for Acquisitions of Interests in Joint Operations*, issued in May 2014:
  - \* Amendments to IFRS 11.
- *Clarification of acceptable methods of Depreciation and Amortization*, issued in May 2014:
  - \* Amendments to IAS 16 and IAS 38.
- *Agriculture: Bearer Plants*, issued in June 2014:
  - \* Amendments to IAS 16 and IAS 41.
- *Equity Method in Separate Financial Statements*, issued in August 2014:
  - \* Proposed amendments to IAS 27.
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, issued in September 2014:
  - \* Proposed amendments to IFRS 10 and IAS 28.

Annual Improvements 2012-2014 issued in September 2014:

- \* IFRS 5 *Non-current Assets Held for and Discontinued Operations*:
  - \* Changes in methods of disposal.
- \* IFRS 7 *Financial Instruments: Disclosures*:
  - \* Servicing contracts.
  - \* Applicability of the amendments to IFRS 7 to condensed interim financial statements.
- \* IAS 19 *Employee Benefits*:
  - \* Discount rate: regional market issue.
- \* IAS 34 *Interim Financial Reporting*:
  - \* Disclosure of information 'elsewhere in the interim financial report.'

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

None of the above updates, which have all been assessed by the Corporation, will have an impact on the statement of financial position or results of operations.

The Corporation actively monitors the current projects undertaken by the IASB. Until the standards are issued in final form the Corporation is unable to assess the impact on the financial statements and notes.

The IASB is currently working on the following projects, the final standard and impact on the Corporation is unknown as at January 4, 2016:

- Insurance Contracts;
- Leases;
- Conceptual Framework;
- Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Marco Hedging;
- Rate-regulated Activities; and
- Disclosure Initiative

| 6. CASH AND CASH EQUIVALENTS | 2015      |
|------------------------------|-----------|
| Cash                         | \$ 63,632 |
| Short-term investments       | -         |
|                              | <hr/>     |
|                              | \$ 63,632 |

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

### 7. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### Fair Values

Set out below is a comparison by class of the carrying amount and fair value of the Corporation's financial instruments that are carried in the financial statements.

|                               | Carrying Amount     | Fair Value          |
|-------------------------------|---------------------|---------------------|
|                               | October 31,<br>2015 | October 31,<br>2015 |
| <b>Financial Assets</b>       |                     |                     |
| Cash and cash equivalents     | \$ 63,632           | \$ 63,632           |
| <b>Total Financial assets</b> | \$ 63,632           | \$ 63,632           |

|                                             | Carrying Amount     | Fair Value          |
|---------------------------------------------|---------------------|---------------------|
|                                             | October 31,<br>2015 | October 31,<br>2015 |
| <b>Financial Liabilities</b>                |                     |                     |
| Accounts payable and<br>accrued liabilities | \$ 1,028            | \$ 1,028            |
| <b>Total Financial Liabilities</b>          | \$ 1,028            | \$ 1,028            |

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 7. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, accounts payable and accrued liabilities, approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

#### **Fair value hierarchy**

As at October 31, 2015, the Corporation held the following financial instruments measured at fair value: cash and cash equivalents (level 1).

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

### 7. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

| Assets measured at fair value                 | October 31,<br>2015 | Level 1   | Level 2 | Level 3 |
|-----------------------------------------------|---------------------|-----------|---------|---------|
| Cash and cash equivalents                     | \$ 63,632           | \$ 63,632 | \$ -    | \$ -    |
| Total assets measured at fair value           | \$ 63,632           | \$ 63,632 | \$ -    | \$ -    |
| No Liabilities were measured<br>at fair value | \$ -                | \$ -      | \$ -    | \$ -    |

During the reporting period ending October 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 8. EQUITY INSTRUMENTS

#### (a) Common shares

As at October 31, 2015, the authorized share capital consists of an unlimited number of non-voting, non-participating, non-cumulative preference shares, redeemable at the option of the Corporation or the holder preferred shares and common shares. To date, no preferred shares have been issued. Changes in the issued common shares of the Corporation are as follows:

|                           | Common shares | Amount     |
|---------------------------|---------------|------------|
| Balance, October 23, 2014 | -             | \$ -       |
| Issued                    | 900,000       | 45,000     |
| Balance, October 31, 2014 | 900,000       | 45,000     |
| Issued                    | 1,200,000     | 60,000     |
| Balance, October 31, 2015 | 2,100,000     | \$ 105,000 |

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 8. EQUITY INSTRUMENTS (CONT'D)

#### (b) Per share information

Per share amounts are calculated based on the weighted average number of common shares outstanding for the period ended October 31, 2015 of 2,100,000

### 9. INCOME TAXES

The income tax payable differs from the amount which would be obtained by applying the Canadian expected tax rate as follows:

|                                   | <b>2015</b> |
|-----------------------------------|-------------|
| Loss before income taxes          | \$ (26,392) |
| Income tax rate                   | 26.50 %     |
| Expected income tax recovery      | \$ (6,994)  |
| Effect on income taxes of:        |             |
| Net change in valuation allowance | 6,994       |
| Income tax recovery               | \$ -        |

The components of the net future income tax asset at 2015, no future portion of which has been recorded in these financial statements, are as follows:

|                                    | <b>2015</b> |
|------------------------------------|-------------|
| Future income tax assets           |             |
| Non-capital losses carried forward | 26,392      |
| Less: Valuation allowance          | (26,392)    |
|                                    | \$ -        |

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 9. INCOME TAXES (CONT'D)

The deferred tax asset has not been recognized in these financial statements, as management does not consider it more likely than not those assets will be realized in the carry forward period.

As at 2015 the Corporation had accumulated non-capital losses which may be carried forward to reduce taxable income in future years. The non-capital losses expire as follows:

|      |           |
|------|-----------|
| 2035 | \$ 26,392 |
|      | \$ 26,392 |

### 10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net earnings for the period attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the period.

The following reflects the earnings and unit data used in the basic and diluted earnings per share computations:

|                                                                     | 2015             |
|---------------------------------------------------------------------|------------------|
| Net income available to common shareholders<br>(numerator)          | \$ (26,392)      |
| Weighted average common shares outstanding<br>(denominator) (000's) | 2,100,000        |
| Dilutive effect of exercise of stock options and warrants           | -                |
| <b>Earnings per share (basic and diluted)</b>                       | <b>\$ (0.01)</b> |

The Corporation has excluded common share purchase warrants and potential common share equivalents, comprised of incremental shares from stock options calculated using the treasury method from the earnings (loss) per share calculation, as they were anti-dilutive.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **11. COMMITMENTS AND CONTINGENCIES**

#### **Contingencies**

The Corporation is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Corporation.

#### **Legal claim contingency**

Except as explained within the contingencies, there are no other legal claim contingencies.

### **12. RELATED PARTY DISCLOSURES**

All related party transactions are carried out in the normal course of operation and are recorded at fair value.

The Corporation has identified its directors and certain officers as its key management personnel.

There were no compensation costs for key management personnel for the period ended October 31, 2015.

During the year, the Corporation incurred \$20,054 in legal costs to a related party. This transaction was incurred at market rates.

### **13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Corporation's primary risk management objective is to protect the Corporation's financial position and cash flow.

The Corporation is exposed to market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk.

The Corporation's senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's senior management provides assurance that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken.

# Harbour Star Capital Inc.

## Notes to Financial Statements

For the period from incorporation on October 24, 2014 to October 31, 2015

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### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### (a) Credit Risk

The maximum exposure to credit risk at the balance sheet date is best represented by the carrying amount of the Corporation's cash.

#### (b) Liquidity Risk

The Corporation manages risk by forecasting cash flows from operations and anticipated investing and financing activities.

#### (c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk.

##### (i) Interest Rate Risk

Debt and obligations under operating lease are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The interest rates on debentures are fixed. The Corporation did not arrange any interest rate swap or financial contracts to hedge the interest rate risk. The Corporation does not believe it is exposed to significant interest rate risk.

### 14. CAPITAL MANAGEMENT

The Corporation seeks the amount of capital it requires in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares when the time is appropriate.

There have been no changes in the Corporation's approach to capital management during the period ended October 31, 2015. No changes were made in the objectives, policies, or processes during the period ending October 31, 2015. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**For the period from incorporation on October 24, 2014 to October 31, 2015**

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### **15. EVENTS AFTER THE REPORTING PERIOD**

On January 14, 2015, Harbour Star Capital entered into an agreement with Global Securities Corporation to act as an agent and sole bookrunner, to assist, on a commercially reasonable efforts basis, with a long form prospectus offering of shares. This contract will begin subject to a satisfactory due diligence review of the Corporation and the Corporation's principals, and the preparation and execution of a formal agency agreement.

**Financial Statements of:  
Harbour Star Capital Inc.**

**July 31, 2016**

**(Unaudited)**

# Harbour Star Capital Inc.

## Statement of Financial Position

| As at                                             | July 31,<br>2016 | October 31,<br>2015 |
|---------------------------------------------------|------------------|---------------------|
| <b>ASSETS</b>                                     |                  |                     |
| Current assets                                    |                  |                     |
| Cash and cash equivalents (Note 6)                | \$ 16,883        | \$ 63,632           |
| Prepaid Expenses                                  | 22,875           | 17,875              |
|                                                   | <u>\$ 39,758</u> | <u>\$ 81,507</u>    |
| <b>LIABILITIES</b>                                |                  |                     |
| Current liabilities                               |                  |                     |
| Accounts payable and accrued liabilities (Note 7) | \$ 1,028         | \$ 1,028            |
|                                                   | 1,028            | 1,028               |
| Due to related parties (Note 12)                  | 996              | 1,871               |
|                                                   | <u>2,024</u>     | <u>2,899</u>        |
| <b>SHAREHOLDERS' EQUITY</b>                       |                  |                     |
| Capital stock (Note 8)                            | 100,000          | 105,000             |
| Retained deficit                                  | (62,266)         | (26,392)            |
|                                                   | <u>37,734</u>    | <u>78,608</u>       |
|                                                   | <u>\$ 39,758</u> | <u>\$ 81,507</u>    |

Approved on behalf of the Board:

"Scott Reeves" (signed) Director

"Mo Fazil" (signed) Director

## Harbour Star Capital Inc.

### Statement of Changes in Shareholders' Equity

|                                                     | Share<br>Capital | Other<br>Capital<br>Reserves | Deficit     | Total<br>Shareholders'<br>Equity |
|-----------------------------------------------------|------------------|------------------------------|-------------|----------------------------------|
| Balance, October 31, 2014                           | \$ 45,000        | \$ -                         | \$ -        | \$ 45,000                        |
| Net income for the period                           | -                | -                            | (23,261)    | (23,261)                         |
| Share-based compensation                            | 60,000           | -                            | -           | 60,000                           |
| Issuance of share capital                           | -                | -                            | -           | -                                |
| Reallocation of contributed surplus                 | -                | -                            | -           | -                                |
| Balance, July 31, 2015                              | \$ 105,000       | \$ -                         | \$ (23,261) | \$ 81,739                        |
| Balance, October 31, 2015                           | \$ 105,000       | \$ -                         | \$ (26,392) | \$ 78,608                        |
| Income (loss) for the period                        | -                | -                            | (35,874)    | (35,874)                         |
| Issuance (Redemption)<br>of share capital, (Note 8) | (5,000)          | -                            | -           | (5,000)                          |
| Balance, July 31, 2016                              | \$ 100,000       | \$ -                         | \$ (62,266) | \$ 37,734                        |

# Harbour Star Capital Inc.

## Statement of Loss and Comprehensive loss

|                                                          | Three months<br>ended<br>January 31,<br>2016 | Nine months<br>ended<br>July 31,<br>2016 | Three months<br>ended<br>January 31,<br>2015 | Nine months<br>ended<br>July 31,<br>2015 |
|----------------------------------------------------------|----------------------------------------------|------------------------------------------|----------------------------------------------|------------------------------------------|
| <b>REVENUE</b>                                           | \$ -                                         | \$ -                                     | -                                            | -                                        |
| <b>EXPENSES</b>                                          |                                              |                                          |                                              |                                          |
| Filing and stock exchange fees                           | -                                            | 2,500                                    | -                                            | 2,500                                    |
| Office and general                                       | 2,061                                        | 3,431                                    | -                                            | 810                                      |
| Professional fees                                        | 12,329                                       | 29,943                                   | -                                            | 19,951                                   |
|                                                          | 14,390                                       | 35,874                                   | -                                            | 23,261                                   |
| <b>NET LOSS AND<br/>COMPREHENSIVE LOSS</b>               | (14,390)                                     | (35,874)                                 | -                                            | (23,261)                                 |
| <b>RETAINED DEFICIT, BEGINNING</b>                       | (26,392)                                     | (26,392)                                 | -                                            | -                                        |
| <b>RETAINED DEFICIT, ENDING</b>                          | \$ (40,782)                                  | \$ (62,266)                              | -                                            | (23,261)                                 |
| <b>Loss per share</b>                                    |                                              |                                          |                                              |                                          |
| Basic (Note 10)                                          | \$ (0.01)                                    | \$ (0.02)                                | \$ -                                         | \$ (0.01)                                |
| Diluted (Note 10)                                        | \$ (0.01)                                    | \$ (0.02)                                | \$ -                                         | \$ (0.01)                                |
| <b>Weighted average number<br/>of shares outstanding</b> |                                              |                                          |                                              |                                          |
| Basic (Note 8)                                           | 2,000,000                                    | 2,000,000                                | 2,000,000                                    | 2,100,000                                |
| Diluted (Note 8)                                         | 2,000,000                                    | 2,000,000                                | 2,000,000                                    | 2,100,000                                |

# Harbour Star Capital Inc.

## Statement of Cash Flows

|                                                                 | Nine months<br>ended July 31,<br>2016 | Nine months<br>ended July 31,<br>2015 |
|-----------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                     |                                       |                                       |
| Net loss                                                        | \$ (35,874)                           | \$ (23,261)                           |
| Changes in non-cash working capital                             |                                       |                                       |
| Increase in prepaids                                            | \$ (5,000)                            | \$ (17,875)                           |
| <b>Cash flows relating to operating activities</b>              | <b>(40,874)</b>                       | <b>(41,136)</b>                       |
| <b>FINANCING ACTIVITIES</b>                                     |                                       |                                       |
| Advances from (repayments to) director                          | (875)                                 | 1,000                                 |
| <b>Cash flows relating to financing activities</b>              | <b>(875)</b>                          | <b>1,000</b>                          |
| <b>INVESTING ACTIVITIES</b>                                     |                                       |                                       |
| Increase (decrease) in share capital                            | (5,000)                               | 60,000                                |
| <b>Cash flows relating to investing activities</b>              | <b>(5,000)</b>                        | <b>60,000</b>                         |
| <b>NET INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS</b> | <b>(46,749)</b>                       | <b>19,864</b>                         |
| Cash and cash equivalents, beginning                            | 63,632                                | 45,871                                |
| <b>Cash and cash equivalents, ending</b>                        | <b>\$ 16,883</b>                      | <b>\$ 65,735</b>                      |

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**Nine months ended July 31, 2016**

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### **1. NATURE OF BUSINESS**

Harbour Star Capital Inc. (the "Corporation") was incorporated under the Business Corporations Act of Alberta on October 24, 2014. The Corporation is a Capital Pool Company as defined in Exchange Policy 2.4. The principal business of the Corporation is the identification and evaluation of assets or businesses, and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder and regulatory approval. The Corporation's principal and registered office is 1250, 639-5th Ave. SW, Calgary, Alberta, T2P 0M9.

The Corporation's ability to continue as a going concern is dependent upon the Corporation's ability to identify, evaluate and complete a Qualifying Transaction (as such term is defined in Exchange Policy 2.4). Until completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. With the consent of the Exchange, the Corporation may raise additional funds. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to identify or complete a suitable Qualifying Transaction within the permitted time prescribed by Exchange Policy 2.4.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

These financial statements of the Corporation, approved by the Board of Directors on November 15, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") effective for the period ended July 31, 2016 using the significant accounting policies outlined in Note 3. These financial statements are in compliance with IAS 34 and the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

Management of the Corporation prepared the financial statements of the Corporation during October 2016, and the Board of Directors approved them. The Board of Directors approved them at their meeting on November 15, 2016.

The financial statements of the Corporation are drawn up in Canadian dollars. Amounts are stated in and recorded to the nearest thousand of Canadian dollars except where otherwise indicated.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**Nine months ended July 31, 2016**

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Cash and cash equivalents and cash flows**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. The Corporation uses the indirect method of reporting cash flow from operating activities.

#### **(b) Share capital**

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

#### **(c) Share-based Compensation**

The Corporation has a share-based compensation plan. The Corporation accounts for share-based payment options granted to employees and consultants using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date (where there is a shared understanding), using the Black-Scholes option valuation model. In accordance with the fair value method, the Corporation recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid by employees on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

#### **(d) Provisions**

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of loss and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of profit and loss and comprehensive loss.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

#### Current income tax

Current income tax assets and liabilities for the respective and prior years 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 reporting date, in the country where the Corporation operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

#### Deferred tax

Deferred tax is provided using the liability 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 tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Deferred tax (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in the subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Earnings (Loss) Per Share

The Corporation presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated using the weighted average number of common shares that are outstanding during the period. Diluted earnings (loss) per share are calculated using the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury method. The treasury method assumes that the proceeds from the issuance of potential common shares are used to purchase common shares at the average share price during the period.

#### (g) Financial instruments – initial recognition and subsequent measurement

##### (i) Financial Assets

##### Initial recognition and measurement

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized costs or FVTOCI are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the consolidated statements of comprehensive income.

From November 1, 2015, the Corporation classifies its financial assets in the following measurement categories:

- Those to be measured at amortized cost and
- Those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Corporation's financial assets include cash and cash equivalents.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at fair value through profit or loss

All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as fair value through profit or loss. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the statements of comprehensive income. The method of measurement of instruments in debt instruments will depend on the business model in which the instrument is held. For instruments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Financial assets carried at amortized cost

Financial assets that meet the following conditions are measured at amortized cost less impairment losses (if any):

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash-flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The financial asset was not acquired principally for the purpose of selling in the near term or for short-term profit taking (held-for-trading).

#### (ii) Impairment of financial assets

The Corporation assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**Nine months ended July 31, 2016**

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

The Corporation has applied IFRS 9 retrospectively, but has elected not to restate comparative information as there no impact on the financial statements of the Corporation from adopting IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Corporation's previous accounting policy which reflects the same measurement of IFRS 9.

The accounting policies were changed to comply with the full requirements of IFRS 9 as issued by the IASB in July 2014. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

#### **(ii) Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss within the consolidated statements of comprehensive income. Such gains or losses recognized in profit or loss includes any interest paid on the financial liabilities.

Financial liabilities that are not held-for-trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset).

All financial assets and financial liabilities held by the Corporation are measured at amortized cost.

The Corporation's financial liabilities include accounts payable and accrued liabilities. All financial liabilities are measured as loans, borrowings and other liabilities.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

#### (iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs. The Corporation does not hold any such instruments as of April 30, 2016.

For financial instruments not traded in an active market, such as the convertible debentures, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided within these notes.

#### (v) Transaction costs

Transaction costs for financial instruments classified as FVTPL are recognized as an expense, in the year they were incurred. For all non-FVTPL financial instruments, they are capitalized and amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**Nine months ended July 31, 2016**

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

#### **(h) Derivative financial instruments and hedge accounting**

The Corporation has not entered into any derivative financial instruments and has not applied hedge accounting for the period ending July 31, 2016.

#### **(i) Leases**

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit and loss and comprehensive loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. For the period ending July 31, 2016 the Corporation did not hold any finance leases.

Operating lease payments are recognized as an expense in the statement of profit and loss and comprehensive loss on a straight line basis over the lease term.

### **4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS**

The preparation of the Corporation's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting years. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

In the process of applying the Corporation's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognized in the financial statements.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (CONT'D)

#### **Impairment of non-financial assets**

Impairment exists when the carrying value of a non-financial asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's budget and do not include restructuring activities, if any, that the Corporation is not yet committed to or significant future investments that will enhance the non-financial asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash-generating units may include a sensitivity analysis.

#### **Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long-term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### **Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at November 15, 2016, the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation. Where possible, the Corporation has early adopted the new standards, amendments, and interpretations as noted below. Management anticipates that all of the pronouncements will be adopted in the Corporation's accounting policy for the first period beginning after the effective date of the pronouncement, unless already early adopted. Information on new standards, amendments, and interpretations are provided below.

The International Accounting Standards Board issued on January 13, 2016 a new accounting standard called IFRS 16 Leases. IFRS 16 Leases replaces IAS 17 Leases. IFRS 16 requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 is effective January 1, 2019. Early application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Corporation has assessed and determined that there will be no impact upon adoption of the new Standard, which the Corporation expects to early adopt on November 1, 2016. The Corporation leases real estate from the National Research Council, for which the lease term is less than a year and the lease can be terminated by either party. There are no significant economic incentives for renewal and the Corporation will continue to disclose the commitment.

The IASB published an amendment to IAS 12 in January 2016 referred to as IAS 12: Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses. The amendment is effective for reporting periods starting on or after January 1, 2017. The objective of the amendment is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendment is not relevant to the Corporation.

The IASB has issued the following updates to the Standards, which were all early adopted on November 1, 2015 and for which there was no impact on the statement of financial position, results of operations, or disclosures:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal.
- IFRS 7 Financial Instruments: Disclosures: Servicing contracts, Applicability of the amendments to IFRS 7 to condensed interim financial statements.
- IAS 19 Employee Benefits: Discount rate: regional market issue.
- IAS 34 Interim Financial Reporting: Disclosure of information elsewhere in the interim financial report.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

None of the above updates, which have all been assessed by the Corporation, had an impact on the statement of financial position or results of operations when adopted on 1 November 2015.

The IASB issued Disclosure Initiative, amendments to IAS 1 in December 2014 with an effective date of January 1, 2016. The Corporation has early adopted the amendments on November 1, 2015. The adoption resulted in reduced disclosures in non-material areas.

All other standards were early adopted as explained in the prior year's financial statements.

The Corporation actively monitors the current projects undertaken by the IASB. Until the standards are issued in final form the Corporation is unable to assess the impact on the financial statements and notes.

| 6. CASH AND CASH EQUIVALENTS | July 31,<br>2016 | October 31,<br>2015 |
|------------------------------|------------------|---------------------|
| Cash                         | \$ 16,883        | \$ 63,632           |
|                              | \$ 16,883        | \$ 63,632           |

### 7. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### Fair Values

Set out below is a comparison by class of the carrying amount and fair value of the Corporation's financial instruments that are carried in the financial statements.

|                               | Carrying Amount  |                     | Fair Value       |                     |
|-------------------------------|------------------|---------------------|------------------|---------------------|
|                               | July 31,<br>2016 | October 31,<br>2015 | July 31,<br>2016 | October 31,<br>2015 |
| <b>Financial Assets</b>       |                  |                     |                  |                     |
| Cash and cash equivalents     | \$ 16,883        | \$ 63,632           | \$ 16,883        | \$ 63,632           |
| <b>Total Financial assets</b> | \$ 16,883        | \$ 63,632           | \$ 16,883        | \$ 63,632           |

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

### 7. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

|                                          | Carrying Amount  |                     | Fair Value       |                     |
|------------------------------------------|------------------|---------------------|------------------|---------------------|
|                                          | July 31,<br>2016 | October 31,<br>2015 | July 31,<br>2016 | October 31,<br>2015 |
| <b>Financial Liabilities</b>             |                  |                     |                  |                     |
| Accounts payable and accrued liabilities | \$ 1,028         | \$ 1,028            | \$ 1,028         | \$ 1,028            |
| Due to shareholder                       | 996              | 1,871               | 996              | 1,871               |
| <b>Total Financial Liabilities</b>       | <b>\$ 2,024</b>  | <b>\$ 2,899</b>     | <b>\$ 2,024</b>  | <b>\$ 2,899</b>     |

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Trade and other receivables, accounts payable and accrued liabilities, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities (loans payable) are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

#### Fair value hierarchy

As at July 31, 2016, the Corporation held the following financial instruments measured at fair value: cash and cash equivalents (level 1).

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

### 7. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

| Assets measured at fair value                 | July 31,<br>2016 | Level 1   | Level 2 | Level 3 |
|-----------------------------------------------|------------------|-----------|---------|---------|
| Cash and cash equivalents                     | \$ 16,883        | \$ 16,883 | \$ -    | \$ -    |
| Total assets measured at fair value           | \$ 16,883        | \$ 16,883 | \$ -    | \$ -    |
| No Liabilities were measured<br>at fair value | \$ -             | \$ -      | \$ -    | \$ -    |

During the reporting period ending July 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 8. EQUITY INSTRUMENTS

#### (a) Common shares

As at July 31, 2016, the authorized share capital consists of an unlimited number of non-voting, non-participating, non-cumulative preference shares, redeemable at the option of the Corporation or the holder preferred shares and common shares. To date, no preferred shares have been issued. Changes in the issued common shares of the Corporation are as follows:

|                           | Common shares | Amount     |
|---------------------------|---------------|------------|
| Balance, October 31, 2015 | 2,100,000     | \$ 105,000 |
| Cancelled                 | 100,000       | 5,000      |
| Balance, July 31, 2016    | 2,000,000     | 100,000    |

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 8. EQUITY INSTRUMENTS (CONT'D)

#### (b) Per share information

Per share amounts are calculated based on the weighted average number of common shares outstanding for the period ended July 31, 2016 of 2,000,000.

### 9. INCOME TAXES

The income tax payable differs from the amount which would be obtained by applying the Canadian expected tax rate as follows:

|                                   | January 31,<br>2016 | July 31,<br>2016 | January 31,<br>2015 | July 31,<br>2015 |
|-----------------------------------|---------------------|------------------|---------------------|------------------|
| Loss before income taxes          | \$ (14,390)         | \$ (35,874)      | \$ -                | \$ (23,261)      |
| Income tax rate                   | 26.50 %             | 26.50 %          | 26.50 %             | 26.50 %          |
| Expected income tax recovery      | \$ (3,813)          | \$ (9,507)       | \$ -                | \$ (6,164)       |
| Effect on income taxes of:        |                     |                  |                     |                  |
| Net change in valuation allowance | 3,813               | 9,507            | \$ -                | \$ 6,164         |
| Income tax recovery               | \$ -                | \$ -             | \$ -                | \$ -             |

The components of the net future income tax asset at 2016, no future portion of which has been recorded in these financial statements, are as follows:

|                                    | July 31,<br>2016 | October 31,<br>2015 |
|------------------------------------|------------------|---------------------|
| Future income tax assets           |                  |                     |
| Non-capital losses carried forward | 62,267           | 26,392              |
| Less: Valuation allowance          | (62,267)         | (26,392)            |
|                                    | \$ -             | \$ -                |

The deferred tax asset has not been recognized in these financial statements, as management does not consider it more likely than not those assets will be realized in the carry forward period.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

### 9. INCOME TAXES (CONT'D)

As at 2016 the Corporation had accumulated non-capital losses which may be carried forward to reduce taxable income in future years. The non-capital losses expire as follows:

|      |    |        |
|------|----|--------|
| 2035 | \$ | 26,392 |
| 2036 |    | 35,875 |
|      | \$ | 62,267 |

### 10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year.

The following reflects the earnings and unit data used in the basic and diluted earnings per share computations:

|                                                                        | January 31,<br>2016 | July 31<br>2016  | January 31,<br>2015 | July 31,<br>2015 |
|------------------------------------------------------------------------|---------------------|------------------|---------------------|------------------|
| Net income available<br>to common shareholders<br>(numerator)          | \$ (14,390)         | \$ (35,874)      | \$ -                | \$ (23,261)      |
| Weighted average common shares<br>outstanding<br>(denominator) (000's) | 2,000,000           | 2,000,000        | \$ 2,000,000        | \$ 2,100,000     |
| Dilutive effect of exercise<br>of stock options and warrants           | -                   | -                | \$ -                | \$ -             |
| <b>Earnings per share<br/>(basic and diluted)</b>                      | <b>\$ (0.01)</b>    | <b>\$ (0.02)</b> | <b>\$ -</b>         | <b>\$ (0.01)</b> |

The Corporation has excluded common share purchase warrants and potential common share equivalents, comprised of incremental shares from stock options calculated using the treasury method from the earnings (loss) per share calculation, as they were anti-dilutive.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**Nine months ended July 31, 2016**

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### **11. COMMITMENTS AND CONTINGENCIES**

#### **Contingencies**

The Corporation is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Corporation.

#### **Legal claim contingency**

Except as explained within the contingencies, there are no other legal claim contingencies.

### **12. RELATED PARTY DISCLOSURES**

All related party transactions are carried out in the normal course of operation and are recorded at fair value.

The Corporation has identified its directors and certain officers as its key management personnel.

There were no compensation costs for key management personnel for the period ended July 31, 2016.

During the period ended July 31, 2016, the corporation incurred \$13,967 in legal costs to a related party. This transaction incurred at market rates.

### **13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Corporation's primary risk management objective is to protect the Corporation's financial position and cash flow.

The Corporation is exposed to market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk.

The Corporation's senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's senior management provides assurance that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken.

# Harbour Star Capital Inc.

## Notes to Financial Statements

Nine months ended July 31, 2016

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### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### (a) Credit Risk

The maximum exposure to credit risk at the balance sheet date is best represented by the carrying amount of the Corporation's cash.

#### (b) Liquidity Risk

The Corporation manages risk by forecasting cash flows from operations and anticipated investing and financing activities.

#### (c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk.

##### (i) Interest Rate Risk

Debt and obligations under operating lease are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The Corporation did not arrange any interest rate swap or financial contracts to hedge the interest rate risk. The Corporation does not believe it is exposed to significant interest rate risk.

### 14. CAPITAL MANAGEMENT

The Corporation seeks the amount of capital it requires in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares when the time is appropriate.

There have been no changes in the Corporation's approach to capital management during the period ended July 31, 2016. No changes were made in the objectives, policies, or processes during the period ending July 31, 2016. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

# **Harbour Star Capital Inc.**

## **Notes to Financial Statements**

**Nine months ended July 31, 2016**

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### **15. EVENTS AFTER REPORTING PERIOD**

Subsequent to the end of the third quarter, July 31, 2016, the Corporation received an additional \$20,000 in founder subscriptions representing the issuance of 400,000 common shares of the Corporation at an issuance price of \$0.05 from two current insiders and one new founder shareholder.

## AUDITORS' CONSENT

The Board of Directors of Harbour Star Capital Inc.

We have read the amended and restated prospectus of Harbour Star Capital Inc. (the "**Company**") dated December 6, 2016 relating to the sale and issue of a minimum 2,750,000 up to a maximum 7,500,000 common shares at \$0.10 per share. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned amended and restated prospectus of our report to the directors of the Company on the balance sheet of the Company as at October 31, 2015, and the statement of cash flows for the period from incorporation, on October 24, 2014 to October 31, 2015. Our report is dated January 4, 2016.

Markham, Ontario, Canada  
December 22, 2016

*"NVS Chartered Accountants Professional Corporation"*  
NVS Chartered Accountants Professional Corporation

**CERTIFICATE OF THE CORPORATION**

DATE: December 22, 2016

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by securities legislation of British Columbia, Alberta and Saskatchewan.

(Signed) "***Mohammad Fazil***"

**Mohammad Fazil**

President, Chief Executive Officer and Director

(Signed) "***Gordon Anderson***"

**Gordon Anderson**

Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(Signed) "***Antarezia (Jie) Liang***"

**Antarezia (Jie) Liang**

Director

(Signed) "***William Eilers***"

**William Eilers**

Director

**CERTIFICATE OF THE PROMOTER**

DATE: December 22, 2016

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by securities legislation of British Columbia, Alberta and Saskatchewan.

Per: (Signed) "**Mohammad Fazil**"  
**Mohammad Fazil**  
Promoter

**CERTIFICATE OF THE AGENT**

DATE: December 22, 2016

To the best of our knowledge, information and belief, this amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of British Columbia, Alberta and Saskatchewan.

**CHIPPINGHAM FINANCIAL GROUP  
LIMITED**

Per: (Signed) "*John MacPhail*"  
**John MacPhail**  
**Executive Director, Capital Markets**