Value Capital Trust
(A Capital Pool Company)
Condensed Interim Financial Statements
For the three month period ended July 31, 2017
(expressed in Canadian dollars)

Value Capital Trust
Condensed Interim Statement of Financial Position
As at:

		July 31, 2017 (Unaudited)		April 30, 2017 (Audited)
Assets				
Current				
Cash *(Note 4)*	**$**	**613,421**	$	299,750
Deferred financing costs *(Note 5)*		**3,500**		42,750
Total assets	**$**	**616,921**	$	342,500
Liabilities				
Current				
Accounts payable and accruals	**$**	**3,500**	$	37,500
Unitholders' Equity				
Unitholder capital *(Note 5)*	**$**	**590,920**	$	305,000
Contributed surplus *(Note 5)*		**109,000**		-
Deficit		**(86,499)**		-
Total unitholders' equity	**$**	**613,421**	$	342,500
Total liabilities and unitholders' equity		**616,921**		342,500

Approved on behalf of the Trustees of the Trust

Signed "Nathan Smith"
Trustee

Signed "Dave Beckow"
Trustee

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

Value Capital Trust

Condensed Interim Statements of Loss and Comprehensive Loss

For the three months ended July 31,
(Unaudited)

		2017
Expenses		
Professional fees	$	**2,588**
Filing fees		**10,911**
Unit-based compensation *(Note 5)*		**73,000**
Net loss and comprehensive loss	$	**(86,499)**
Net loss per unit		
Basic and diluted	$	**(0.02)**
Weighted average number of units *(Note 5)*		**5,000,000**

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

Value Capital Trust

Condensed Interim Statement of Changes in Unitholders' Equity

For the three months ended July 31, 2017 and for the period from formation (March 16, 2017) to April 30, 2017

	Unitholder Capital ($)	**Contributed Surplus ($)**	**Deficit ($)**	**Unitholders' Equity ($)**
As at March 16, 2017	**-**	**-**	**-**	**-**
Issuance of trust units	305,000	-	-	305,000
As at April 30, 2017	**305,000**	**-**	**-**	**305,000**
Issuance of trust units	25,000	-	-	25,000
Initial Public Offering *(Note 5)*	500,000	-	-	500,000
Unit issue costs *(Note 5)*	(239,080)	36,000	-	(203,080)
Unit based compensation	-	73,000	-	73,000
Net Loss	-	-	(86,499)	(86,499)
As at July 31, 2017	**590,920**	**109,000**	**(86,499)**	**613,421**

Value Capital Trust,

Condensed Interim Statement of Cash Flows

For the three months ended July 31,
(Unaudited)

		2017
Cash provided by the following activities:		
Net Loss for the period:	**$**	**(86,499)**
Operating activities		
Change in non-cash working capital:		
Accounts payable and accruals	**$**	**(34,000)**
Deferred financing costs		**39,250**
Unit based compensation		**73,000**
Cash flows used in operating activities	**$**	**(8,249)**
Financing activities		
Issuance of trust units *(Note 5)*	**$**	**321,920**
Cash flows provided by financing activities		**321,920**
Increase in cash resources	**$**	**313,671**
Cash resources, beginning of period		**299,750**
Cash resources, end of period	**$**	**613,421**

1. Founding and operations

Value Capital Trust (the "Trust") was formed by the Declaration of Trust on March 16, 2017. The Trust will be classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal undertaking of the Trust is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head and registered office of the Trust is located at 1900, 520 – 3rd Avenue SW, Calgary, Alberta.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Trust to fund its potential future operations and commitments is dependent upon the ability of the Trust to obtain additional financing.

There is no assurance that the Trust will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Trust's units from trading.

The Trust issued 6,600,000 Trust Units ("Seed Units") for an amount of $330,000 and on June 16, 2017 the Trust's prospectus for an Initial Public Offering ("IPO") of the Trust's Trust Units was receipted by the regulatory authorities. The IPO closed on July 11, 2017 and a total of 5,000,000 Trust Units were issued at a price of $0.10 per Trust Unit. The Trust's units commenced trading on July 11, 2017 under the symbol VLU.P.

2. Basis of preparation

Statement of compliance

The condensed interim financial statements for the three months ended July 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), including IAS 34 Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Trust's April 30, 2017 annual financial statements.

These were authorized for issue in accordance with a resolution of the trustees on September 27, 2017.

Basis of measurement

These condensed interim financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Trust's functional currency.

Use of estimates and judgments

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the condensed interim financial statements are disclosed in Note 3.

3. Summary of significant accounting policies

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the financial statements for the period ended April 30, 2017.

Significant accounting estimates and assumptions

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed interim financial statements are:

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Classification of Trust Units

In determining whether these should be classified as liabilities or equity, management has assessed whether the Trust units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 Financial Instruments: Presentation which permit classification of a puttable instrument as equity have been satisfied. The Trust units have been determined to be classified as equity.

Judgements

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the condensed interim financial statements are:

Financial instruments

The Trust is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

Unit options

The Trust records unit-based payments based on management's judgement of the expected exercise date of options which is impacted by the timing of completion of the Qualifying Transaction.

4. Cash

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

5. Unit capital

Authorized:

Unlimited number of Class A Units ("Trust Units")
Unlimited number of Preferred Units issuable in series

Issued: Trust Units

	Number of Units	Value ($)
March 16, 2017	**-**	**-**
Issued for cash (i)	6,100,000	305,000
As at April 30, 2017	**6,100,000**	**305,000**
Issued for cash (i)	500,000	25,000
Issued on Initial Public Offering (ii)	5,000,000	500,000
Unit issue costs (ii)	-	(239,080)
As at July 31, 2017	**11,600,000**	**590,920**

(i) The Trust issued 6,600,000 Trust Units at a price of $0.05 per Unit for gross proceeds of $330,000. All 6,600,000 Trust Units are subject to an escrow agreement.

(ii) On July 11, 2017, the Trust successfully completed its initial public offering raising gross proceeds of $500,000 on the issuance of 5,000,000 Trust Units. The agent received a cash commission of 10% of the gross proceeds of the offering, and warrants to purchase 500,000 Units at a price of $0.10 for a period of 24 months from the date of the listing. The value assigned to the agent warrants using the Black-Scholes option is $36,000. The Trust incurred a total of $239,080 unit issue costs, including amounts previously recorded as deferred financing costs, which have been applied against unitholder capital.

Escrow

The Trust has issued 6,600,000 Trust Units subject to an escrow agreement whereby 10% of the Trust Units will be released upon completion and approval of the Trust's qualifying transaction. An additional 15% of the escrowed Trust Units will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Trust Units issued upon the exercise of options held by officers and trustees are subject to the same escrow conditions. Trust Units issued upon the exercise of the Agent's options are restricted such that only 50% of the issued units on exercise of such options may be sold prior to the Trust completing a qualifying transaction.

Loss per unit

The 6,600,000 Trust Units, which are considered contingently issuable until the Trust completes a Qualifying Transaction, are not considered to be outstanding for the purpose of earnings (loss) per unit calculation.

Unit-based payments

The Trust has adopted an incentive unit option plan which provides that the Trustees of the Trust may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to trustees, officers, employees and consultants to the Trust, non-transferable options to purchase Trust Units, provided that the number of Trust Units reserved for issuance will not exceed 10% of the issued and outstanding Trust Units. However, other than in connection with a Qualifying Transaction, during the time that the Trust is a CPC, the aggregate number of Trust Units issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Trust Units of the Trust issued and outstanding at the closing of the Trust's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

As part of the close of the IPO, the Trust granted 1,021,180 Unit Options to trustees, officers, and consultants at $0.10 per Trust Unit which expires July 11, 2022 and are exercisable in accordance with the Exchange CPC provisions.

5. Unit capital *(continued)*

Unit-based payments *(continued)*

The key assumptions used in the valuation of the warrants and options are as follows:

	Agency Warrants	Directors and Officers Options
Risk -free interest rate	1.12%	1.12%
Expected volatility	150%	150%
Expected life	2 years	2 years
Estimated vesting period	Immediately	Immediately
Forfeiture rate	0%	0%
Expected dividends	0%	0%
Fair value per option	$0.091	$0.091

During the period ended July 31, 2017, the Trust recorded unit based compensation expense for options granted of $73,000 and $36,000 for warrants granted, with an offsetting increase to contributed surplus.

Redemption of Trust Units

Trust Units will not initially be redeemable at the option of the Trust Unitholder. The Trustees may, by resolution, cause the Trust Units to be redeemable at the option of the Trust Unitholder and thereby convert the Trust to an Open Ended Trust. It is anticipated that such a resolution will be passed immediately prior to the Trust undertaking a Qualifying Transaction. In the event the Trust does not complete a Qualifying Transaction, the Trust Units will not be redeemable. After such resolution has been passed, upon receipt by the Trust of the notice to redeem Trust Units in accordance with the Declaration of Trust, the holder of the Trust Units tendered for redemption shall be entitled to receive a price per Trust Unit (for the purpose of this section, the “Redemption Price”) equal to the lesser of:

(a) 90% of the “market price” per Trust Unit on the principal stock exchange on which the Trust Units are listed (or, if the Trust Units are not listed on any such exchange, on the principal market on which the Trust Units are quoted for trading) during the period of the last ten trading days immediately prior to the date on which the Trust Units were tendered for redemption; and,

(b) the “closing market price” on the principal stock exchange on which the Trust Units are listed (or, if the Trust Units are not listed on any such exchange, on the principal market on which the Trust Units are quoted for trading) on the date that the Trust Units were tendered for redemption.

For the purposes of the above:

(a) “**Open Ended Trust**” means an *inter vivos* trust the interest of each beneficiary under which is described by reference to units of the trust which qualifies as a “unit trust” under paragraph 108(2)(a) of the *Income Tax Act* (Canada).

5. Unit capital *(continued)*

(b) The “**market price**” shall be, for a specified day, an amount equal to the simple average of the closing price of the Trust Units for each of the ten trading days immediately prior to the specified day on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the highest and lowest prices for that trading day if there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the market price shall be the simple average of the following prices established for each of the ten trading days: the average of the bid and ask prices for each day on which there was no trading; the weighted average trading price of the Trust Units for each day that there was trading if the exchange or market provides a weighted average trading price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day.

(c) The “**closing market price**” shall be (i) an amount equal to the closing price of the Trust Units if there was a trade on the date on which the Trust Units were tendered for redemption and the exchange or market on which they are traded provides a closing price; (ii) an amount equal to the average of the highest and lowest prices of Trust Units on the date on which the Trust Units were tendered for redemption if there was trading and the exchange or other market on which they are traded provides only the highest and lowest trading prices of Trust Units traded on a particular day; or (iii) the average of the last bid and ask prices on the date if there was no trading on the date.

Trust Units will not be redeemable at the option of the Trust Unitholder if:

(i) the total amount payable by the Trust in respect of the redemption of Trust Units tendered for redemption in the same calendar month exceeds $50,000 (the “Monthly Limit”); provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Trust Units tendered for redemption in any calendar month. Trust Units tendered for redemption in any calendar month in which the total amount payable by the Trust pursuant to the Declaration of Trust exceeds the Monthly Limit will be redeemed for cash on a pro-rata basis up to the Monthly Limit and, unless any applicable regulatory approvals are required, by a distribution in specie pursuant to the Declaration of Trust, on a pro-rata basis, for the balance; or,

(ii) after the Trust Units have been listed for trading on any stock exchange, the normal trading of the Trust Units is suspended or halted on any such stock exchange either: (i) on the date that such Trust Units were tendered to the Trust for redemption; or (ii) for more than five trading days during the 10-day trading period prior to the date on which such Trust Units were tendered for redemption.

6. Capital disclosures

The Trust’s capital consists of unitholder capital. The Trust’s objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Trust sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Trust’s objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,

ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Trust is not subject to any externally or internally imposed capital requirements at period-end.

7. Financial instruments

The Trust, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Trust is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Trust classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Trust believes it has no significant credit risk.

Liquidity Risk

The Trust's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2017, the Trust had a cash balance of $613,421 to settle liabilities of $3,500.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Trust has no market risks.