

SMARTSET SERVICES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended September 30, 2019 & 2018

(Expressed in Canadian Dollars)

(unaudited)

SMARTSET SERVICES INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102- *Continuous Disclosure Obligations*, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company (the “Board”).

The Company’s independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity’s auditors.

October 18, 2019

SMARTSET SERVICES INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	September 30, 2019 \$ (unaudited)	March 31, 2019 \$ (audited)
Assets		
Current assets		
Cash and cash equivalents	363,312	375,612
Total assets	363,312	375,612
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	-	4,688
Total liabilities	-	4,688
Shareholders' equity (deficit)		
Share capital	440,862	440,862
Share-based payment reserve	44,968	44,968
Deficit	(122,518)	(114,906)
Total shareholders' equity (deficit)	363,312	370,924
Total liabilities and shareholders' equity (deficit)	363,312	375,612
Nature and continuance of operations (Note 1)		

Approved and authorized for issue by the Board of Directors on October 18, 2019:

Signed "Eugene Sekora"

Eugene Sekora
Director

Signed "Randy Clifford"

Randy Clifford
Director

(The accompanying notes are an integral part of these financial statements)

SMARTSET SERVICES INC.**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(EXPRESSED IN CANADIAN DOLLARS)****(unaudited)**

	Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	Six months ended September 30, 2019 \$	Six months ended September 30, 2018 \$
EXPENSES				
General and administrative	160	-	177	-
Professional fees	157	12,940	157	12,940
Transfer agent & filing fees	5,393	5,943	9,553	7,060
Total expenses	5,710	18,883	9,887	20,000
Loss before other income (expense)	(5,710)	(18,883)	(9,887)	(20,000)
Other income (expense)				
Interest accrual	2,275	-	2,275	-
Total other income (expense)	2,275	-	2,275	-
Net loss and comprehensive loss	(3,435)	(18,883)	(7,612)	(20,000)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares outstanding	8,000,000	6,000,000	8,000,000	6,000,000

(The accompanying notes are an integral part of these financial statements)

SMARTSET SERVICES INC.
CONDENSED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLAR)
(unaudited)

	Share Capital		Share-based payment reserve \$	Deficit \$	Total \$
	Number of shares	Amount \$			
Balance, March 31, 2018	6,000,000	300,001	–	(26,970)	273,031
Net loss for the period	–	–	–	(20,000)	(20,000)
Balance, September 30, 2018	6,000,000	300,001	–	(46,970)	253,031

	Share Capital		Share-based payment reserve \$	Deficit \$	Total \$
	Number of shares	Amount \$			
Balance, March 31, 2019	8,000,000	440,862	44,968	114,906	370,924
Net loss for the period	–	–	–	(7,612)	(7,612)
Balance, September 30, 2019	8,000,000	440,862	44,968	(122,518)	363,312

(The accompanying notes are an integral part of these financial statements)

SMARTSET SERVICES INC.
CONDENSED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS
(unaudited)

	Six months ended September 30, 2019 \$	Six months ended September 30, 2018 \$
Operating activities		
Net loss for the period	(7,612)	(20,000)
Changes in non-cash operating working capital:		
Prepaid expenses	-	5,250
Accounts payable and accrued liabilities	(4,688)	(4,133)
Due to related party	-	(5,969)
Net cash used in operating activities	(12,300)	(24,852)
Financing activities		
Proceeds from the issuance of shares	-	-
Net cash provided by financing activities	-	-
Change in cash for the period	(12,300)	(24,852)
Cash, beginning of period	375,612	290,000
Cash, end of period	363,312	265,148

(The accompanying notes are an integral part of these financial statements)

SMARTSET SERVICES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2019

EXPRESSED IN CANADIAN DOLLARS

(unaudited)

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Smartset Services Inc. (the “Company”) was incorporated on May 9, 2013 pursuant to the provisions of the *Business Corporations Act* (Alberta) and was continued into British Columbia on February 2, 2018. The Company was formed to complete an Initial Public Offering (“IPO”) and become classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSXV”) Policy 2.4. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Company’s common shares will be listed for trading on the TSXV upon completion of its IPO. The head office and the registered office of the Company is located at Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, Canada.

As at September 30, 2019, the Company has no business operations. As a CPC, the Company’s principal business objective will be to identify and evaluate assets, properties or businesses with a view to a potential acquisition or participation by completing a Qualifying Transaction subject, in certain cases, to shareholders’ approval and acceptance by the TSXV. There is no assurance that the Company will identify and successfully acquire businesses or assets that will produce a profit. Moreover, if a potential business or asset is identified which warrants acquisition or participation, additional funds may be required to complete the acquisition or participation and the Company may not be able to obtain such financing on terms which are satisfactory to the Company.

Under the policies of the TSXV, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company’s shares are listed for trading on the TSXV. There is no assurance that the Company will be able to complete a QT within this time period, or that it will be able to secure the necessary financing to complete a QT. The TSXV may suspend or de-list the Company’s shares from trading should it not meet these requirements.

Going Concern

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has not generated any revenues, has negative cash flows from operations, and has an accumulated deficit of \$122,518. The Company’s continuing operations are dependent upon its ability to identify, evaluate, and negotiate a QT. If the QT is identified or completed, additional funding may be required and there is no assurance that the Company will be able to obtain such financing, if any, on terms that are acceptable to the Company. These financial statements do not include any adjustments to the recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. These condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2019.

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

SMARTSET SERVICES INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2019****EXPRESSED IN CANADIAN DOLLARS****(unaudited)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Use of Estimates and Judgments**

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. It also requires management to exercise its judgment in the processing of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of such estimates and judgments are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates and judgments are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Actual results could differ from these estimates.

Significant areas requiring the use of estimates include the fair value of share-based compensation, and recoverability of unrecognized deferred income tax assets.

The Company's assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Financial Instruments

The Company does not have any derivative financial instruments.

Financial assets

The Company recognizes financial assets at fair value net of transaction costs directly attributable to the acquisition of the financial asset. After initial recognition, the Company classifies financial assets as either: (i) amortized cost; (ii) fair value through other comprehensive income; or (iii) fair value through profit or loss. The classification depends on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Management determines the classification of financial assets at initial recognition.

A financial asset is classified as amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and 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 amounts outstanding.

A financial asset is classified as fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 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.

A financial asset is classified as fair value through profit or loss unless it is measured at amortized cost or as fair value through other comprehensive income. Upon initial recognition, a financial asset can be irrevocably designated as fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on the financial asset on different bases.

The Company's cash is classified as fair value through profit or loss. The Company does not have any financial assets classified as amortized cost or fair value through other comprehensive income.

SMARTSET SERVICES INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2019****EXPRESSED IN CANADIAN DOLLARS****(unaudited)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Financial Instruments (continued)****Financial liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities and amounts due to a related party are classified as amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been impacted. Factors that could indicate impairment of financial assets include significant financial difficulty, default or delinquency in payment, bankruptcy, or financial reorganization.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Company will recognize a loss allowance for expected credit loss for a financial instrument equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition. Conversely, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that financial instrument at an amount equal to the expected credit losses for the next twelve months. The expected credit loss shall be measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

(e) Income Taxes**Current income tax**

Current income tax assets and liabilities for the current period 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, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or 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.

SMARTSET SERVICES INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2019****EXPRESSED IN CANADIAN DOLLARS****(unaudited)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Income Taxes (continued)***Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Loss Per Share

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Potentially dilutive securities are excluded from the calculation of dilutive loss per share as they are anti-dilutive. As at September 30, 2019, the Company has 1,000,000 (2018 – nil) potentially dilutive shares outstanding.

(g) Share-based Payments

The Company grants share-based awards to employees and directors as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of operations with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(h) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. The Company does not have any items affecting comprehensive income or loss.

SMARTSET SERVICES INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2019****EXPRESSED IN CANADIAN DOLLARS****(unaudited)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Accounting Standards Issued But Not Yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the six month period ended September 30, 2019, and have not been applied in preparing these financial statements.

- IFRS 16, Leases (New)

The Company has not early adopted this revised standard and it will not have a significant impact on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed in varying degrees to a variety of financial instruments and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2019, as follows:

	Fair Value Measurements Using			Balance September 30, 2019 \$
	Quoted prices in active markets for financial instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	
Cash	373,312	–	–	373,312

The fair values of financial instruments, which include accounts payable and accrued liabilities, and amounts due to a related party approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consists of cash and cash equivalents. The Company will limit its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans on settling its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company.

SMARTSET SERVICES INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2019

EXPRESSED IN CANADIAN DOLLARS

(unaudited)

4. SHARE CAPITAL

Authorized: unlimited common shares without par value

- (a) On March 8, 2018, the Company issued 6,000,000 common shares at \$0.05 per share for proceeds of \$300,000, and cancelled the original founder's share. These common shares have been deposited into escrow and will be released from escrow over a three-year period after the finalization of the QT.
- (b) On November 13, 2018, the Company issued 2,000,000 common shares as part of its initial public offering ("IPO") at \$0.10 per share for proceeds of \$200,000. As part of the IPO, the Company incurred share issuance costs of \$48,511 and issued 200,000 agent's options with a fair value of \$10,628 where each agent's option will entitle the agent to purchase one common share of the Company at \$0.10 per share for a period of two years.

5. STOCK OPTIONS

On June 1, 2018, the Company granted 800,000 stock options to officers and directors of the Company at an exercise price of \$0.10 per share for a period of ten years. The fair value of the stock options was calculated using the Black-Scholes option pricing model assuming volatility of 100%, risk free rate of 2.46%, expected life of 10 years, and no expected dividends or forfeitures. The Company recorded the fair value of stock options of \$34,340 as share-based compensation with a corresponding credit to share-based payment reserve.

On November 13, 2018, the Company granted 200,000 agent's options at an exercise price of \$0.10 per share for a period of two years. The fair value of the agent's options was calculated using the Black-Scholes option pricing model assuming volatility of 100%, risk free rate of 2.29%, expected life of 2 years, and no expected dividends or forfeitures. The Company recorded the fair value of agent's options of \$10,628 as share capital with a corresponding credit to share-based payment reserve.

	Number of options	Weighted average Exercise price \$
Outstanding, March 31, 2018 and 2019	—	—
Granted	1,000,000	0.10
Outstanding, September 30, 2019	1,000,000	0.10

Additional information regarding stock options outstanding as at September 30, 2019, is as follows:

Range of exercise prices \$	Stock options outstanding	Weighted average remaining contracted life (years)
0.10	1,000,000	7.5

6. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company and its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2019.