

**Drummond Ventures Corp.**  
**(a capital pool company)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

*(Unaudited – Prepared by Management)*

**For the three and nine months ended March 31, 2020**

Reader's Note:

These unaudited interim condensed financial statements of Drummond Ventures Corp. have been prepared by management and have not been reviewed by the company's auditor.

# Drummond Ventures Corp.

(a capital pool company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian dollars)

		March 31, 2020 \$	June 30, 2019 \$
	<b>Note</b>		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		71,811	498,733
Receivable and prepayments		3,841	-
Loans receivable	3	354,058	-
<b>Total assets</b>		<b>429,710</b>	<b>498,733</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	34,587	18,000
<b>Total liabilities</b>		<b>34,587</b>	<b>18,000</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	568,615	568,615
Share-based payment reserve	4	30,485	30,485
Deficit		(203,977)	(118,367)
<b>Total shareholders' equity</b>		<b>395,123</b>	<b>480,733</b>
<b>Total liabilities and shareholders' equity</b>		<b>429,710</b>	<b>498,733</b>

Nature of Operations and going concern (Note 1)

Approved by the Board of Directors on May 27, 2020

*"David De Witt"*

*Director*

*"Marcel de Groot"*

*Director*

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

**Drummond Ventures Corp.**

(a capital pool company)

**CONDENSED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS***(Unaudited)*

(Expressed in Canadian dollars, except share information)

		For the three months ended March 31		For the nine months ended March 31	
	Note	2020 \$	2019 \$	2020 \$	2019 \$
<b>Operating Expenses</b>					
Professional fees		<b>38,936</b>	2,174	<b>58,793</b>	6,457
Listing and filing fees		<b>5,685</b>	5,200	<b>15,685</b>	13,395
Other general and administrative expenses		<b>4,409</b>	300	<b>15,190</b>	800
Share based payments		-	-	-	23,334
<b>Loss before other items</b>		<b>(49,030)</b>	(7,674)	<b>(89,668)</b>	(43,986)
<b>Other Income and Expense</b>					
Interest Income		<b>2,500</b>	-	<b>4,058</b>	-
<b>Net loss and comprehensive loss for the period</b>		<b>(46,530)</b>	(7,674)	<b>(85,610)</b>	(43,986)
<b>Net loss per share</b>					
Basic and diluted		<b>(0.04)</b>	(0.01)	<b>(0.08)</b>	(0.11)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	4	<b>1,125,000</b>	1,125,000	<b>1,125,000</b>	410,584

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**Drummond Ventures Corp.**

(a capital pool company)

## CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*Unaudited*

(Expressed in Canadian dollars)

	Share capital (# of shares)	Share capital \$	Share-based payments reserve \$	Deficit \$	Total \$
Balance, June 30, 2018	4,000,000	400,000	-	(10,452)	389,548
IPO (net of share issuance costs)	1,125,000	142,823	-	-	142,823
Options issued to Agents in conjunction with IPO	-	(7,151)	7,151	-	-
Share-based payments	-	-	23,334	-	23,334
Net loss and comprehensive loss for the period	-	-	-	(43,986)	(43,986)
<b>Balance, March 31, 2019</b>	<b>5,125,000</b>	<b>535,672</b>	<b>30,485</b>	<b>(54,438)</b>	<b>511,719</b>
Balance, June 30, 2019	5,125,000	568,615	30,485	(118,367)	480,733
Net loss and comprehensive loss for the period	-	-	-	(85,610)	(85,610)
<b>Balance, March 31, 2020</b>	<b>5,125,000</b>	<b>568,615</b>	<b>30,485</b>	<b>(203,977)</b>	<b>395,123</b>

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

## Drummond Ventures Corp.

(a capital pool company)

### CONDENSED INTERIM STATEMENT OF CASH FLOWS

Unaudited

(Expressed in Canadian dollars)

	For the nine months ended March 31, 2020 \$	For the nine months ended March 31, 2019 \$
<b>Cash flows provided by (used in)</b>		
<b>Operating Activities</b>		
Net loss	(85,610)	(43,986)
Changes in non-cash working capital:		
Share-based payments	-	23,334
Interest on loans receivable (Note 3)	(4,058)	-
Receivables and prepayments	(3,841)	(2,080)
Accounts payable and accrued liabilities	16,587	(27,445)
Deferred financing fees	-	25,000
Cash used in operating activities	(76,922)	(25,177)
<b>Investing Activities</b>		
Loans to Sun Machine Entertainment (Note 3)	(350,000)	-
Cash used in investing activities	(350,000)	-
<b>Financing Activities</b>		
Proceeds from IPO, net of share issuance costs	-	142,823
Cash from financing activities	-	142,823
<b>Increase (decrease) in cash for the period</b>	<b>(426,922)</b>	<b>117,646</b>
Cash - beginning of period	498,733	397,453
<b>Cash - end of period</b>	<b>71,811</b>	<b>515,099</b>

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

# Drummond Ventures Corp.

(a capital pool company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2020

Unaudited

(Expressed in Canadian dollars unless otherwise stated)

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## 1. Nature of operations and going concern

Drummond Ventures Corp. (the “Corporation” or “Drummond”) was incorporated under the British Columbia *Business Corporations Act* on March 28, 2018. The Corporation is classified as a Capital Pool Company as defined in the TSX Venture Exchange’s (the “Exchange”) Policy 2.4 (“CPC Policy”). The principal business of the Corporation is the identification and evaluation of a Qualifying Transaction as defined in the CPC Policy (“QT”) and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate a QT. The QT will be subject to the approval of the Exchange and in case of a non-arm’s length transaction, of the majority of the Corporation’s minority shareholders. The Corporation is required to complete its QT on or before two years from the date of listing on the Exchange. Where a QT has been identified, additional funding may be required in order to complete the transaction and there is no assurance that the Corporation will be successful in obtaining any additional funding. If the Corporation does not complete a QT within two years from the date the Corporation’s common shares are listed for trading on the Exchange, the Exchange may suspend or de-list the common shares from trading. These conditions indicate the existence of material uncertainty that may give rise to significant doubt about the Corporation’s ability to continue as a going concern.

On September 24, 2018, the Corporation filed a final prospectus in relation to the offering of 1,125,000 common shares. On December 21, 2018, the Corporation completed an Initial Public Offering (“IPO”) and issued 1,125,000 common shares of Drummond at a purchase price of \$0.20 per Share for gross proceeds of \$225,000. The Corporation’s common shares were listed for trading and immediately halted on the Exchange at the opening of the market on the IPO closing date and commenced trading at the opening of the market on December 27, 2018 under the trading symbol “DVX.P”.

The head office & principal address of the Corporation is located at Suite 1400, 400 Burrard Street, Vancouver, BC, V6C 3A6 and the registered & records office is located at 595 Burrard St #700, Vancouver, BC, V7X 1S8.

The Corporation entered into an amalgamation agreement dated December 2, 2019 (the “Amalgamation Agreement”) with Sun Machine Entertainment Inc. (“Sun Machine”) to purchase all of the issued and outstanding securities of Sun Machine in exchange of the issuance of an aggregate of 28,571,427 common shares of the Corporation and approximately 694,178 replacement stock options. The amalgamation is intended to be the Corporation’s Qualifying Transaction and completion is subject to the satisfaction of certain closing conditions as set out in the Amalgamation Agreement including completion of a pre-closing Sun Machine share split, Sun Machine shareholder approval, completion of a concurrent financing for gross proceeds of \$3,000,000, and the final approval of the Exchange.

The proposed Qualifying Transaction with Sun Machine received initial conditional approval from the Exchange on February 13, 2020, which was finalized and superseded by a conditional approval from the Exchange on February 21, 2020, the Corporation filed its Filing Statement on February 25, 2020, and in connection therewith, the Corporation announced expected closing of the Qualifying Transaction on or about March 13, 2020. As a result of the expected March 13, 2020 closing, the parties amended the Amalgamation Agreement closing and completion dates from February 28, 2020 to March 15, 2020.

As a result of the volatility of the financial markets in the midst of the COVID-19 pandemic, the Corporation and Sun Machine agreed to postpone the anticipated March closing of the Qualifying Transaction. Notwithstanding the parties’ elective decision to postpone the Qualifying Transaction until the financial markets have stabilized, the parties were pleased with the progress of Sun Machine and committed to finalizing a closing of the Qualifying Transaction in or before Q4 2020. Therefore, the Corporation increased its \$225,000 CPC loan to Sun Machine by \$125,000 for an aggregate of \$350,000 and amended the Amalgamation Agreement to address the CPC loan amendment, a Sun Machine convertible note bridge financing, and to extend the completion deadline to October 31, 2020.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2020

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(Expressed in Canadian dollars unless otherwise stated)

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### **2. Basis of presentation**

#### *Statement of Compliance*

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee. These condensed interim financial statements do not include all the necessary annual disclosures in accordance with IFRS and should be read in conjunction with the Corporation’s audited financial statements for the year ended June 30, 2019.

The accounting policies followed in these condensed interim financial statements are the same as those applied in the Corporation’s most recent audited financial statements for the year ended June 30, 2019.

#### *Basis of Presentation*

These condensed interim financial statements have been prepared on a historical cost basis. The condensed interim financial statements are presented in Canadian dollars, which is also the Corporation’s functional currency.

#### *Significant Accounting estimates and Judgments*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Corporation’s significant accounting judgments and estimates are consistent with those applied in the audited financial statements for the year ended June 30, 2019.

### **3. Loan to Sun Machine Entertainment**

Pursuant to its QT (Note 1), the Corporation advanced a total of \$350,000, in two tranches, to Sun Machine by way of secured loans. The loans are secured against all of the assets of Sun Machine and bear interest at 3.95%. Both loans are payable with interest at the earlier of the completion of the QT and October 31, 2020. During the nine months ended March 31, 2020, the Corporation earned \$4,058 in interest from these loans.

### **4. Share Capital and Reserves**

#### a) Authorized:

The Corporation is authorized to issue an unlimited number of common shares without par value.

#### b) Issued and Outstanding:

As at March 31, 2020, the Corporation had 5,125,000 common shares issued and outstanding. Of these common shares, 4,000,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by the CPC Policy) (the “Initial Release”) upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. In addition, should the Corporation fail to complete a QT on or before two years from the date of listing on the Exchange, certain of these common shares may be cancelled and as such are considered contingently returnable; as such, all such common shares have been excluded from the calculation of basic and diluted earnings per share.

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### c) Stock Options

On June 22, 2018, the board of directors of the Corporation (the “Board”) established a stock option plan (“Stock Option Plan”) where the Board may, from time to time, grant directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Corporation, exercisable for a period of up to 10 years from the date of the grant. In accordance with the CPC Policy, during the time that the Corporation is a Capital Pool Company and prior to Completion of the QT: (i) options granted to a director or officer of the Corporation individually may not exceed 5% of the common shares of the Corporation issued and outstanding at the closing of the IPO; and (ii) options granted to all technical consultants may not exceed 2% of the common shares of the Corporation issued and outstanding at the closing of the IPO. The Board shall not grant any options to an eligible participant under the Stock Option Plan providing investor relations activities, promotional or market-making services to the Corporation.

The exercise price of any option granted pursuant to the Stock Option Plan shall be determined by the Board when granted but shall not be less than the market price. Until Completion of the QT the exercise price shall not be less than the greater of \$0.20 and the Discounted Market Price (as defined by the policies of the Exchange). Any common shares acquired pursuant to the exercise of options prior to the Completion of the QT, must be deposited in escrow and will be subject to escrow until Completion of the QT.

On June 22, 2018, the Board approved the grant of 130,000 stock options to a director of the Corporation. These stock options were granted upon closing of the IPO on December 21, 2018; no stock options had previously been granted by the Corporation. These stock options have an expiry date of ten years from the IPO closing date, an exercise price of \$0.20 per common share and vested immediately upon grant. As at March 31, 2020 all 130,000 options remain outstanding and exercisable and have a remaining life of 8.73 years.

### d) Agent’s warrants

A total of 67,500 non-transferable Agent’s warrants were issued in conjunction with closing of the IPO. The Agent’s warrants have an expiry date of two years from the IPO closing date and an exercise price of \$0.20; all warrants vested immediately. As at March 31, 2020 all 67,500 warrants remain outstanding and exercisable and have a remaining life of 0.73 years.

## **5. Related party transactions**

Related parties of the Corporation include its key management personnel, being the members of the Board of Directors and Officers of the Corporation. Related parties also include close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Drummond.

No compensation was paid to key management personnel during the period ended March 31, 2020 (2019 - \$nil). The Corporation is currently utilizing office space rent-free in the office of a related party.

As at March 31, 2020, accounts payable and accrued liabilities include \$6,482 payable to an officer for reimbursable expenditures of the Corporation.