

LIBBY K INDUSTRIES INC.

Condensed Interim Financial Statements

For the six-month period ended March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Libby K Industries Inc. ("the Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of the Company's unaudited condensed interim financial statements as at and for the six months ended March 31, 2019.

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

LIBBY K INDUSTRIES INC.
Condensed Interim Statements of Financial Position
As at March 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2019	September 30, 2018
Assets		
Current		
Cash	\$ 642,729	\$ 272,590
Accounts receivable	7,435	633
Prepaid expenses	-	20,000
	\$ 650,164	\$ 293,223
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ -	\$ 9,500
Shareholders' Equity		
Share capital	726,450	300,000
Reserves	116,335	-
Deficit	(192,621)	(16,277)
	650,164	283,723
	\$ 650,164	\$ 293,223

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"Robert Kiesman" (signed)
Director

"Mark Orsmond" (signed)
Director

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LIBBY K INDUSTRIES INC.

Condensed Interim Statement of Comprehensive Loss
For the three and six-month periods ended March 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)

	3 months ended March 31, 2019	6 months ended March 31, 2019
Operating Expenses		
Bank charges	\$ 25	64
Filing fees	10,071	22,761
Legal and professional fees	50,235	62,989
Office expenses	755	795
Other general and administrative expenses	1,950	1,950
Share-based payments (note 6)	87,785	87,785
Net Loss and Comprehensive Loss for the Period	(150,821)	(176,344)
Basic and Diluted Loss per Share	\$ (0.02)	(0.02)
Weighted Average Number of Common Shares Outstanding	8,933,333	7,460,440

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LIBBY K INDUSTRIES INC.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital			Total Shareholder	
	Number	Amount \$	Reserves \$	Deficit \$	Equi
Balance, July 5, 2018 (date of incorporation)	1	1	-	-	
Repurchased by the Company	(1)	(1)	-	-	(
Issuance of common shares	6,000,000	300,000	-	-	300,00
Net loss for period	-	-	-	(16,277)	(16,2
Balance, September 30, 2018	6,000,000	300,000	-	(16,277)	283,7
Issuance of common shares	100,000	5,000	-	-	5,00
Net loss for period	-	-	-	(25,523)	(25,5
Balance, December 31, 2018	6,100,000	305,000	-	(41,800)	263,21
Issuance of common shares, net	5,000,000	450,000	-	-	450,00
Share-based payments	-	-	87,785	-	87,78
Issuance of warrants	-	(28,550)	28,550	-	-
Net loss for period	-	-	-	(150,821)	(150,82
Balance, March 31, 2019	11,100,000	726,450	116,335	(192,621)	650,11

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LIBBY K INDUSTRIES INC.
Condensed Interim Statement of Cash Flows
For the six-month period ended March 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)

	6 months ended March 31, 2019
Operating Activities	
Net loss for the period	\$ (176,344)
Items not involving cash	
Share-based payments	87,785
	\$ (88,559)
Change in working capital balances:	
Accounts receivable	(6,802)
Prepaid expenses	20,000
Accounts payable and accrued liabilities	(9,500)
Cash Used in Operating Activities	(84,861)
Financing Activities	
Common shares issued, net	455,000
Cash Provided by Financing Activities	455,000
Change in Cash	370,139
Cash, Beginning of Period	272,590
Cash, End of Period	\$ 642,729

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LIBBY K INDUSTRIES INC.
Notes to the Condensed Interim Financial Statements
For the Six-Month Period Ended March 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Libby K Industries Inc. (the "Company") was incorporated under the *BC Business Corporations Act* on July 5, 2018. The Company is a Capital Pool Company ("**CPC**") as defined in the TSX Venture Exchange Policy 2.4. The Company completed its initial public offering (the "**Offering**") on February 8, 2019 and issued an aggregate of 5,000,000 common shares (each, a "**Common Share**") to purchasers in British Columbia, Ontario and Alberta at a purchase price of \$0.10 per share for gross proceeds of \$500,000. The \$500,000 in gross proceeds represents the maximum offering as provided in the Company's final prospectus dated January 19, 2019.

The principal business of the Company is to identify, evaluate and then acquire an interest in a business or assets with a view of completing a Qualifying Transaction. The Company's registered and records office address is 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5. The head office of the Company is located at 1208 Rosewood Crescent, North Vancouver, BC, V7P 1H4.

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception and has not yet achieved profitable operations. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses. In addition, the Company will require additional financing in order to carry out its business objectives. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Basis of presentation

These condensed interim financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's audited financial statements for the period from incorporation on July 5, 2018 to September 30, 2018, and do not include all the information required for the audited financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these condensed interim financial statements be read in conjunction with the audited financial statements.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

LIBBY K INDUSTRIES INC.
Notes to the Condensed Interim Financial Statements
For the Six-Month Period Ended March 31, 2019
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2. BASIS OF PRESENTATION (Continued)

(b) Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on May 21, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; ii) 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; and iii) is not designated as fair value through profit or loss.

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 measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive loss. The Company classifies cash as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold 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.

There are no financial assets classified as measured at amortized cost.

LIBBY K INDUSTRIES INC.
Notes to the Condensed Interim Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

(ii) Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities included accounts payable and accrued liabilities.

(iii) 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 contractual rights to receive cash flows from the asset have expired; or
- the Company 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 Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy is cash. The fair value of all other financial instruments which include prepaid expenses and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

(b) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Incremental costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

(c) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(d) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

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. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the 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 exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(f) Adoption of new accounting standard

Leases IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The Company has adopted the above standard and has assessed that there will be no material reporting changes as a result of adoption as the Company does not have any leases.

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4. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

During the six-month period ended March 31, 2019;

- the Company issued 5,000,000 common shares at a price of \$0.10 per share for total gross proceeds of \$500,000.

During the period incorporation on July 5, 2018 to December 31, 2018;

- the Company issued 100,000 common shares at a price of \$0.05 per share for total proceeds of \$5,000.
- the Company issued 1 common share for \$0.05 upon incorporation. The Company subsequently repurchased this share for the same amount, and
- the Company issued 6,000,000 common shares at a price of \$0.05 per share for total proceeds of \$300,000.

5. SHARE-BASED PAYMENTS

Pursuant to an Agency Agreement between the Company and PI Financial Corp. (the "Agent"), the Agent received a cash commission equal to 10% of the gross proceeds (\$50,000) and were granted non-transferable warrants to purchase 500,000 Common Shares which represents the number of Common Shares equal to 10% of the number of Common Shares sold pursuant to the Offering at a price of \$0.10 per share expiring 24 months from the date the Common Shares are listed on the Exchange. The Agent will also be paid a corporate finance fee of \$10,000 (which was paid during the period ending September 30, 2018) and be reimbursed by the Company for expenses, including legal fees, incurred pursuant to the Offering. On February 8, 2019, the Agent's warrants were issued with a fair value of \$28,550 estimated using the Black-Scholes option pricing model with the following assumptions: expected life of warrants - two years, expected volatility - 110%, no dividend yield and a risk-free interest rate - 1.77%.

Warrants transactions during the periods are summarized as follows:

	March 31, 2019		September 30, 2018	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price
Outstanding, beginning of period	-	\$ -	-	\$ -
Issued	500,000	0.10	-	-
Outstanding end of period	500,000	\$ 0.10	-	\$ -

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Notes to the Condensed Interim Financial Statements
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5. SHARE-BASED PAYMENTS (Continued)

The following warrants are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	March 31, 2019	September 31, 2018
February 8, 2021	1.86	\$ 0.10	500,000	-
	1.86	\$ 0.10	500,000	-

Upon closing of the Offering, the Company granted 1,110,000 stock options to directors and officers of the Company. Each stock option is exercisable into one common share of the Company at \$0.10 per share for a period of 5 years. The stock options are exercisable immediately on grant and had a fair value of \$87,785 estimated using the Black-Scholes option pricing model with the following assumptions: expected life of warrants - five years, expected volatility - 110%, no dividend yield and a risk-free interest rate - 1.79%.

Stock option transactions during the periods are summarized as follows:

	March 31, 2019		September 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	\$ -	-	\$ -
Granted	1,110,000	0.10	-	-
Outstanding end of period	1,100,000	\$ 0.10	-	\$ -

The following share options are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	March 31, 2019	September 31, 2018
February 8, 2024	4.86	\$ 0.10	1,100,000	-
	4.86	\$ 0.10	1,100,000	-

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Notes to the Condensed Interim Financial Statements
For the Six-Month Period Ended March 31, 2019
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6. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

Share-based payment expense recognized for stock options granted to key management for the 6 months ended March 31, 2019 was \$87,785.

7. RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to significant liquidity risk.

As at March 31, 2019, the Company has cash of \$642,729 available to apply against short-term business requirements. As at March 31, 2019, there are no current liabilities.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

8. CAPITAL MANAGEMENT

The Company has just commenced operations. It has not yet determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.