VALDY INVESTMENTS LTD.

Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Valdy Investments Ltd.

Opinion

We have audited the accompanying financial statements of Valdy Investments Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2019 and the period from inception on August 22, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and the period from inception on August 22, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

February 21, 2020

VALDY INVESTMENTS LTD.
Statement of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2019	December 31, 2018
	$	$
ASSETS		
Current assets		
Cash	460,824	92,478
TOTAL ASSETS	460,824	92,478
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	8,853	7,500
Total Liabilities	8,853	7,500
EQUITY		
Share capital (Note 3)	548,120	100,000
Equity reserves (Note 3)	75,846	-
Deficit	(171,995)	(15,022)
Total Equity	451,971	84,978
TOTAL LIABILITIES AND EQUITY	460,824	92,478

Nature and continuance of operations (*Note 1*)

On behalf of the Board of Directors:

"Johnny Ciampi"
Director

"James Decker"
Director

The accompanying notes are an integral part of the financial statements.

VALDY INVESTMENTS LTD.
Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended December 31, 2019	From inception on August 22, 2018 to December 31, 2018
	$	$
OPERATING EXPENSES		
Office expense	190	-
Professional fees	66,325	15,022
Share-based payment (Note 3)	62,644	-
Transfer agent and filing fees	27,814	-
Loss and comprehensive loss for the period	(156,973)	(15,022)
Basic and diluted loss per common share	(0.05)	(0.07)
Weighted average number of common shares outstanding	3,361,644	-

The accompanying notes are an integral part of the financial statements.

VALDY INVESTMENTS LTD.
Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital		Equity Reserves		
	Number of Shares outstanding	Amount	Share-based payments	Deficit	Total equity
		$	$	$	$
Balance at August 22, 2018	-	-	-	-	-
Shares issued for private placement	2,000,000	100,000	-	-	100,000
Loss for the period	-	-	-	(15,022)	(15,022)
Balance at December 31, 2018	2,000,000	100,000	-	(15,022)	84,978
Shares issued for private placement	5,000,000	500,000	-	-	500,000
Share issuance costs	-	(51,880)	13,202	-	(38,678)
Share-based payment	-	-	62,644	-	62,644
Loss for the year	-	-	-	(156,973)	(156,973)
Balance at December 31, 2019	7,000,000	548,120	75,846	(171,995)	451,971

The accompanying notes are an integral part of the financial statements.

VALDY INVESTMENTS LTD.
Statement of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended December 31, 2019	From inception on August 22, 2018 to December 31, 2018
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(156,973)	(15,022)
Items not affecting cash:		
Share-based payment	62,644	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	1,353	7,500
Cash used in operating activities	(92,976)	(7,522)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of shares, net of share issuance costs	461,322	100,000
Cash provided by financing activity	461,322	100,000
Change in cash during the period	368,346	92,478
Cash, beginning of period	92,478	-
Cash, end of period	460,824	92,478
Cash paid during the period for:		
Interest	-	-
Taxes	-	-

Supplemental cash flow information:

Warrants issued as agent fees	13,202	-

The accompanying notes are an integral part of the financial statements.

1. Nature and Continuance of Operations

Valdy Investments Ltd. (the "Company") was incorporated under the provincial *Business Corporations Act* (British Columbia) on August 22, 2018 and its registered office is at 4619 West 3rd Avenue, Vancouver, BC V6R 1N5. The Company completed its initial public offering ("IPO") during fiscal 2019 and is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company 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 the exercising of an option or by any concomitant transaction ("Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company 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 Company's shares from trading. These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue operates. Management estimates it has sufficient funds to operate for the next twelve months.

2. Significant Accounting Policies

(a) Statement of Compliance

The financial statements of the Company comply with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these financial statements have been prepared using the accrual basis of accounting.

These financial statements were approved by the Board of Directors for issuance on February 21, 2020.

(b) Basis of Presentation

These financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Company's presentation currency.

(c) Significant Judgments, Estimates and Assumptions

The preparation of these financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

The preparation of these financial statements requires management to make judgements regarding the going concern of the Company, as disclosed in Note 1, and share-based payments. The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions.

2. Significant Accounting Policies (continued)

(d) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(e) Income Taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized on temporary differences arising from the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Loss Per Share

Basic loss per share is computed by dividing net earnings (loss) by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In periods where a loss is reported all outstanding options, warrants and other convertible instruments are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

All of the escrow shares are considered contingently returnable until the Company completes a Qualifying Transaction and accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

(g) Financial Instruments

The following is the accounting policy for financial assets under IFRS 9:

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company has classified its financial instruments as follows:

- Cash: FVTPL
- Trade payable and accrued liabilities: Amortized cost

3. Share Capital

(a) Authorized:

Unlimited Common Shares without par value

Unlimited Preferred Shares without par value

(b) Issued share capital:

On September 28, 2018, the Company issued 2,000,000 common shares of the Company at a price of $0.05 per share for total proceeds of $100,000.

On January 24, 2019, the Company completed a private placement offering, pursuant to which the Company issued 2,500,000 common shares at $0.10 per share for total proceeds of $250,000.

On May 27, 2019 the Company completed its IPO and issued 2,500,000 common shares for gross proceeds of $250,000. The Company paid agent commissions of $25,000 and an administrative fee of $5,250.

3. Share Capital (continued)

(b) Issued share capital (continued)

The Company granted the Agent 250,000 agent's warrants in connection with the IPO, where each agent's warrant is exercisable into on common share at $0.10 expiring May 27, 2021.

The agent's warrants have been assigned a fair value of $13,202 or $0.05 per agent's warrant. The fair value of the agent's warrant was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

The Company also paid $8,428 in cash as share issuance costs relating to the IPO.

(c) Escrow:

The Company has 2,500,000 common shares subject to an escrow agreement as at December 31, 2019, whereby 10% of the shares will be released from escrow upon the completion of the Qualifying Transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a qualifying transaction. Escrowed shares may be subject to cancellation if the qualifying transaction is not completed within 24 months from the date of listing.

(d) Share-based payments:

Stock Option Plan

The Company has a rolling stock option plan ("the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the Exchange. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions to the extent of options exercised prior to the completion of a Qualifying Transaction.

As at December 31, 2019, the following stock options were outstanding:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 22, 2018 and December 31, 2018	-	$ -
Granted	700,000	0.10
Balance, December 31, 2019	700,000	$ 0.10

During the period ended December 31, 2019, the Company issued 700,000 stock options to officers and directors (being key management personnel) of the Company with an exercise price of $0.10 per share, at a fair value of $62,644 (2018 - $Nil). The weighted average fair value per option was $0.09. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.59%, a forfeiture rate of 0%, and volatility of 100%.

3. Share Capital (continued)

(d) Share-based payments: (continued)

A summary of the Company's stock options outstanding and exercisable as at December 31, 2019 is as follows:

Expiry Date	Number of Stock Options	Exercise Price	Remaining Life (in years)
May 27, 2029	700,000	$0.10	9.41
Outstanding and exercisable	700,000		

(e) Share Purchase Warrants

As at December 31, 2019, the following stock warrants were outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 22, 2018 and December 31, 2018	-	$ -
Granted	250,000	0.10
Balance, December 31, 2019	250,000	$ 0.10

As at December 31, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Remaining Life (in years)
250,000	$ 0.10	May 27, 2021	1.41

4. Capital Disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction. The Company 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 Company's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end, except as discussed below.

Until the completion of a Qualifying Transaction, the gross proceeds realized from the sale of all securities may only be used to identify and evaluate assets or businesses for, and obtain shareholders approval for, a proposed Qualifying Transaction, with the exception that no more than the lesser of 30% of the gross proceeds from the sale of securities issued by a CPC and $210,000 may be used to cover prescribed costs of issuing securities and administrative and general expenses.

5. Financial Instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured as level 1 input. The carrying value of accounts payable and accrued liabilities approximates the fair value due to its short term nature.

6. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Overview

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to short term nature.

Credit Risk

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada.

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's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash balance of $460,824 to pay liabilities of $8,853.

6. Financial Instruments (continued)

Market Risks

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the year ended December 31, 2019, the Company held no financial instruments subject to significant foreign exchange or interest rate risks.

7. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Loss for the period	$ (156,973)	$ (15,022)
Expected income tax recovery	$ (42,000)	$ (4,000)
Permanent differences	17,000	-
Share issue cost	(11,000)	-
Change in unrecognized deductible temporary differences	36,000	4,000
Total income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2019	2018
Deferred tax asset		
Incorporation costs	$ 7,000	$ 2,000
Share issue costs	8,000	-
Non-capital losses available for future period	25,000	2,000
	40,000	4,000
Unrecognized deferred tax assets	(40,000)	(4,000)
Net deferred tax asset	$ -	$ -

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	2019	Expiry Date
Temporary differences		
Incorporation costs	$ 25,000	no expiry date
Share issue costs	$ 31,000	no expiry date
Non-capital losses available for future periods	92,000	2037 to 2038