Spirit Bear Capital Corp.
(A Capital Pool Company)

Financial Statements
For the year ended January 31, 2017
(Expressed in Canadian Dollars)

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Index to Financial Statements
For the year ended January 31, 2017
(Expressed in Canadian Dollars)

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spirit Bear Capital Corp.

We have audited the accompanying financial statements of Spirit Bear Capital Corp., which comprise the statements of financial position as at January 31, 2017 and 2016, and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Spirit Bear Capital Corp. as at January 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

May 29, 2017
Vancouver, Canada

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	January 31, 2017	January 31, 2016
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 3)	154,733	189,014
GST receivable	1,582	1,099
Prepaid expense	886	886
TOTAL ASSETS	157,201	190,999
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 4)	8,500	8,081
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	269,249	269,249
Reserve (Note 5)	42,150	42,150
Accumulated deficit	(162,698)	(128,481)
	148,701	182,918
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	157,201	190,999

Nature and continuance of operations (Note 1)

These financial statements are authorized for issuance by the Board of Directors on May 29, 2017.

On behalf of the Board of Directors:

"Michael Waldkirch"	"James Anderson"
Director	Director

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended January 31, 2017	2016
	$	$
Expenses		
Bank charge and interest	149	143
Professional fees	18,139	14,175
Regulatory and shareholders' service	14,444	11,415
Travel and related	2,374	-
	(35,106)	(25,733)
Interest income	889	1,372
Loss and comprehensive loss for the year	(34,217)	(24,361)
Loss per share – basic and diluted	(0.01)	(0.01)
Weighted average number of common shares outstanding – basic and diluted (Note 5)	3,000,000	3,000,000

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended January 31, 2017	2016
	$	**$**
Cash flows used in operating activities		
Net loss for the year	(34,217)	(24,361)
Changes in non-cash working capital items		
GST receivable	(483)	321
Prepaid expense	-	479
Trade payables and accrual liabilities	419	(496)
	(34,281)	(24,057)
Decrease in cash and cash equivalents	(34,281)	(24,057)
Cash and cash equivalents, beginning of year	189,014	213,071
Cash and cash equivalents, end of year	154,733	189,014

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

SPIRIT BEAR CAPITAL CORP.
(A Capital Pool Company)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Reserve	Accumulated Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at January 31, 2015	4,000,006	269,249	42,150	(104,120)	207,279
Net loss for the year	-	-	-	(24,361)	(24,361)
Balance at January 31, 2016	4,000,006	269,249	42,150	(128,481)	182,918
Net loss for the year	-	-	-	(34,217)	(34,217)
Balance at January 31, 2017	4,000,006	269,249	42,150	(162,698)	148,701

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Spirit Bear Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company is classified as a Capital Pool Company ("CPC") while the principal business is the identification and evaluation of assets or a business (the "Qualifying Transaction" ("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. As the Company was unable to complete its QT by the filing deadline, the Company requested to transfer the listing of the Company's common shares to the NEX trading board of the TSX Venture Exchange ("TSX-V") and reinstate the Company's shares for trading. The Company is presently listed and trading on the NEX under the symbol SBG.H.

The Company's head office, principal address and registered and records office is located at 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

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 Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. Management believes the Company has sufficient working capital to maintain its activities for the upcoming fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Cash and cash equivalents

The Company considers cash to include cash on deposit and highly liquid short-term investments bearing variable interest rates that are readily convertible to known amounts of cash and generally have original maturities within three months. Interest earned is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Basic and diluted loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of cancelled and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration, based on the nature of the item.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets
The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss **-** This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and cash equivalents as fair value through profit or loss.

Loans and receivables **-** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

Held-to-maturity investments **-** These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale **-** Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive loss and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities
The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss **-** This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities **-** This category consists of liabilities carried at amortized cost using the effective interest method, and includes trade payables.

For the years presented, the Company did not have any derivative financial assets or liabilities.

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, in the country where the Company operates and generates taxable income.

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.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax:
Deferred income tax is based 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 profit 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.

Accounting standards and amendments not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2017 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the revised standard which will be effective to the Company's financial statements for the year ending January 31, 2018 or later:

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect 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 not expected to have a significant impact on the Company's financial statements.

3. CASH AND CASH EQUIVALENTS

	January 31, 2017	**January 31, 2016**
	$	**$**
Cash at bank	11,570	1,630
Demand deposit	143,163	187,384
	154,733	**189,014**

4. TRADE PAYABLES AND ACCRUED LIABILITIES

	January 31, 2017	**January 31, 2016**
	$	**$**
Accounts payable	-	581
Accrued liabilities	8,500	7,500
	8,500	**8,081**

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVE

Authorized Share Capital

Unlimited number of common shares without par value.

Escrow Shares

There were 1,000,006 shares (January 31, 2016 – 1,000,006) subject to escrow restrictions until completion of a QT and would then be released from escrow in tranches over 36 months. The 1,000,006 escrow shares are not included in the calculation of the weighted average number of shares outstanding to determine loss per share.

Stock Options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

A summary of the stock options outstanding and exercisable at January 31, 2017 is as follows:

Exercise price	Number outstanding	Number exercisable	Expiry date
$			
0.10	500,000	500,000	May 14, 2017 (subsequently expired unexercised)

The weighted average life of outstanding stock options is 0.29 year (January 31, 2016 – 1.29 years).

Reserve

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired stock options are transferred to deficit in the year of forfeiture or expiry.

6. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's GST receivable and accounts payable approximate their carrying value. The Company's other financial instrument, being cash and cash equivalents, is measured at fair value using Level 1 inputs.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk:
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk:
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

(d) Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

8. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a QT. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the TSX-V. As a CPC, the Company is subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4 and summarized below:

1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;
2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;
3) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate QT;
4) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

There were no changes in the Company's approach to capital management during the year ended January 31, 2017.

(Expressed in Canadian Dollars)

9. INCOME TAXES

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

	January 31, 2017	January 31, 2016
	$	$
Loss before income taxes	(34,217)	(24,361)
Combined Canadian federal and provincial statutory rate	26.00%	26.00%
Expected income tax recovery at statutory tax rates	(8,896)	(6,334)
Share issuance costs	-	(5,821)
Unrecognized benefit of non-capital losses	8,896	12,155
Total deferred taxes	-	-

The significant components of the Company's unrecognized deductible temporary differences are as follows:

	January 31, 2017	January 31, 2016
	$	$
Non-capital losses	255,072	198,467
Share issuance costs	-	22,388
Total unrecognized deductible temporary differences	255,072	220,855

The temporary differences expire as follows:

	Non-capital losses
	$
2032	12,117
2033	40,753
2034	48,584
2035	50,264
2036	46,749
2037	56,605
	255,072

A full valuation has been recorded due to the uncertainty of achieving sufficient future income for tax purposes such that the assets will be realized.