

**Exito Energy II Inc.**  
**Condensed Interim Financial Statements**  
June 30, 2017  
(Unaudited)

**Notice of No Auditor Review**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the condensed interim financial statements have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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**Exito Energy II Inc.**  
**Condensed Interim Statements of Financial Position (Unaudited)**

In Canadian Dollars	June 30, 2017 \$	December 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(note 4)</i>	348,491	479,305
Accounts receivable	8,111	2,229
Prepaid expense	-	788
Note receivable <i>(note 5)</i>	25,000	25,000
<b>Total assets</b>	<b>381,602</b>	<b>507,322</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>(note 12)</i>	157,581	95,475
<b>Total liabilities</b>	<b>157,581</b>	<b>95,475</b>
<b>Shareholders' Equity</b>		
Share capital <i>(note 6)</i>	505,906	505,906
Contributed surplus <i>(note 6)</i>	220,472	220,472
Accumulated deficit	(502,357)	(314,531)
<b>Total shareholders' equity</b>	<b>224,021</b>	<b>411,847</b>
<b>Total liabilities and shareholders' equity</b>	<b>381,602</b>	<b>507,322</b>

*Subsequent events (note 1)*

**Exito Energy II Inc.**  
**Condensed Interim Statements of Comprehensive Loss (Unaudited)**

In Canadian Dollars	Three months ended June 30,		Six months ended Six 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses</b>				
Business acquisition <i>(note 12)</i>	90,307	-	153,687	5,006
Professional fees <i>(note 12)</i>	1,250	3,650	2,500	7,290
Office rent and supplies <i>(note 12)</i>	13,116	6,840	18,406	11,477
Filing fee	-	1,599	15,200	6,799
	104,673	12,089	189,793	30,572
<b>Finance income – interest income</b>	(970)	(1,143)	(1,968)	(2,262)
<b>Net loss and comprehensive loss</b>	103,703	10,946	187,826	28,310
<b>Loss per share <i>(note 8)</i></b>	0.01	0.00	0.02	0.00

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

**Exitto Energy II Inc.**

**Condensed Interim Statements of Changes in Shareholders' Equity (Unaudited)**

In Canadian Dollars	Number of shares	Accumulated Deficit \$	Share Capital \$	Contributed Surplus \$	Total Equity \$
<b>Balance at December 31, 2015</b>	10,000,000	(216,783)	605,906	120,472	509,595
Total comprehensive loss	-	(28,310)	-	-	(28,310)
<b>Balance June 30, 2016</b>	10,000,000	(245,093)	605,906	120,472	481,285
<b>Balance December 31, 2016</b>	8,000,000	(314,531)	505,906	220,472	411,847
Total comprehensive loss	-	(187,826)	-	-	(187,826)
<b>Balance at June 30, 2017</b>	8,000,000	(502,357)	505,906	220,472	224,021

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

**Exito Energy II Inc.**  
**Condensed Interim Statements of Cash Flows (Unaudited)**

In Canadian Dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Cash flows related to the following activities</b>				
<b>Operating activities</b>				
Net loss for the period	(103,703)	(10,946)	(187,826)	(28,310)
	(103,703)	(10,496)	(187,826)	(28,310)
Net change in non-cash working capital relating to operating activities				
Accounts receivable	(3,091)	1,108	(5,882)	598
Prepaid	184	-	788	-
Accounts payable and accrued liabilities	32,831	(6,382)	62,106	1,390
Cash used in operating activities	(73,779)	(16,220)	(130,814)	(26,322)
<b>Decrease in cash and cash equivalents</b>	(73,779)	(16,220)	(130,814)	(26,322)
<b>Cash and cash equivalents, beginning of period</b>	422,270	537,523	479,305	547,625
<b>Cash and cash equivalents, end of period</b>	348,491	521,303	348,491	521,303
Supplemental cash flow information:				
Interest received	970	1,143	1,968	2,262

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

# Exito Energy II Inc.

## Notes to the Condensed Interim Financial Statements Unaudited

For the three and six months ended June 30, 2017 and 2016  
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### 1. Incorporation and operations

Exito Energy II Inc. (formerly Capitalize Acquisition I Corp.) (the "Corporation") was incorporated under the laws of the Province of Alberta on November 11, 2010 and is based in Calgary, Alberta. The Corporation is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV") and is listed on the TSXV under the symbol "EXI.P", having commenced trading on May 8, 2013. The principal business of the Corporation 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 exercising an option or by any concomitant transaction. The purpose of such an acquisition will be to satisfy the related conditions of a qualifying transaction under the TSXV rules within two years of becoming a CPC (May 8, 2015). The address of the head office of the Corporation is 1350, 734 – 7th Ave S.W. Calgary, Alberta.

The condensed interim financial statements of the Corporation for the three and six months ended June 30, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on August 28, 2017.

In order to complete an acquisition or participate in an operation, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to complete a qualifying transaction.

The Corporation entered into a letter of intent with Millennium Stimulation Services Ltd. ("Millennium") dated November 13, 2014, pursuant to which the Corporation intended to acquire all of the issued and outstanding common shares of Millennium (the "Millennium Shares"), to be effected by way of an amalgamation pursuant to the Business Corporations Act (Alberta). This agreement expired on April 13, 2016.

On February 16, 2016, the Corporation's deadline for completing a qualifying transaction was extended by the TSXV until May 13, 2016. The TSXV continues to provide the Corporation with time to complete a qualifying transaction, however it is anticipated that if the GLN Transaction (defined below) does not close then the Corporation's shares will be transferred to the NEX Exchange (a separate board of the TSXV).

On March 29, 2016, the Corporation entered a non-binding term sheet (the "Term Sheet") with MagneticNorth Partners, Inc. ("Magnetic"). The Term Sheet contemplated the acquisition of all of the issued and outstanding common shares of Magnetic by the Corporation as well as various changes to the Corporation's management team and board of directors. On June 3, 2016, the Corporation signed a non-binding letter of intent (the "LOI") with the principals of Magnetic, namely Andrew Osis and Kevin Spall (the "Vendors"), to acquire all of the Vendors' interests in various private equity investments, to have the Vendors become the management of the Corporation and to change the Corporation's name to MagneticNorth Partners Corp. The transaction contemplated with the Vendors did not proceed as the Corporation elected to enter into the GLN Transaction (defined below).

The Corporation signed an arrangement agreement dated October 7, 2016, an amended and restated arrangement agreement dated January 31, 2017 and an amendment to the amended and restated arrangement agreement dated effective March 31, 2017 on April 25, 2017, a second amending agreement dated effective March 31, 2017 on April 27, 2017, and a third amending agreement dated July 31, 2017 with Good Life Networks Inc. ("GLN"), a Vancouver-based, digital media company, with respect to a proposed business combination (the "GLN Transaction"). The GLN Transaction will be structured as a share exchange by way of plan of arrangement. Pursuant to the terms of the GLN Transaction, the Corporation will complete a consolidation of its common shares on the basis of one post-consolidation share for every two pre-consolidation shares. Holders of GLN common shares will receive 0.2601 of a post-consolidation common share of the Corporation (the "Consolidation") and will continue into the jurisdiction of British Columbia (the "Continuation"). The GLN Transaction is conditional on GLN completing a non-brokered private placement of subscription receipts at a price of not less than \$0.25 per subscription receipt to raise gross proceeds of not less than \$3,500,000. In conjunction with entering the GLN Transaction, the Corporation made a \$25,000 unsecured loan to GLN. On May 26, 2017, shareholders of the Corporation and GLN approved all matters relating to the GLN Transaction and the outside date for completion of the GLN Transaction is currently September 30, 2017. Completion of the GLN Transaction is conditional upon the approval of the TSXV.

# **Exito Energy II Inc.**

## **Notes to the Condensed Interim Financial Statements Unaudited**

*For the three and six months ended June 30, 2017 and 2016  
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On October 19, 2016, 2,000,000 escrowed seed shares of the Corporation held by non-arm's length parties were cancelled as a result of the Corporation's failure to complete a Qualifying Transaction within the time period prescribed by the TSXV. As a result, the Corporation now has 8,000,000 common shares issued and outstanding, 3,000,000 of which are subject to TSXV escrow conditions.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the TSXV may de-list the Corporation's shares from trading. In May 2015, the shares of the Corporation were suspended from trading on the TSXV.

## **2. Basis of preparation**

### **Statement of compliance**

These condensed interim financial statements have been prepared using accounting policies consistent with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued and outstanding as of August 28, 2017, being the date the Board of Directors approved the condensed interim financial statements. These condensed interim financial statements do not include all of the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2016.

### **Basis of preparation**

These condensed interim financial statements have been prepared using historical costs and fair values of certain items, as detailed in the accounting policies set out in Note 3 below. These policies have been applied consistently to all periods presented in these condensed interim financial statements.

### **Use of estimates and judgments**

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the condensed interim financial statements are disclosed in note 5 of the December 31, 2016 annual financial statements.

### **Functional and presentation currency**

These condensed interim financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

## **3. Summary of significant accounting policies and changes to accounting policies**

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as described in note 3 of the Corporation's annual financial statements for the year ended December 31, 2016. The disclosures provided below are incremental to those included with the annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted.

### **Future Accounting Pronouncements**

There were no new or amended standards issued during the six months ended June 30, 2017 that are applicable to the Corporation in future periods. A description of standards and interpretations that will be adopted by the Corporation in future periods can be found in note 4 of the annual financial statements for the year ended

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**4. Cash and cash equivalents**

The proceeds raised from the issue of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that the lessor of up to 30% of the gross proceeds or \$210,000 may be used to cover prescribed costs of issuing common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction by the Corporation as defined under the policies of the TSXV.

**5. Note receivable**

In conjunction with entering into the GLN Transaction, as permitted under the TSXV CPC Policy, the Corporation issued a \$25,000 unsecured promissory note receivable from GLN on October 7, 2016. The terms of the note receivable are that it is to be without interest and the principal sum of the note becomes immediately payable to the Corporation on June 1, 2017. The note receivable is non-interest bearing and is due on September 30, 2017. Due to the short-term nature of the note receivable the carrying value approximates the fair value.

**6. Share capital**

**Authorized**

The Corporation has authorized an unlimited number of voting common shares and an unlimited number of preferred shares at no par value.

**Issued and outstanding common shares**

	<b>Number of Shares</b>	<b>Amount \$</b>
At December 31, 2015	10,000,000	605,906
Cancelled escrowed seed shares	(2,000,000)	(100,000)
As at December 31, 2016	8,000,000	505,906
As at June 30, 2017	8,000,000	505,906

On October 19, 2016, 2,000,000 escrowed seed shares of the Corporation held by non-arm's length parties were cancelled as a result of the Corporation's failure to complete a Qualifying Transaction within the time period prescribed by the TSXV. As a result, the Corporation now has 8,000,000 common shares issued and outstanding, 3,000,000 of which are subject to TSXV escrow conditions.

**Contributed surplus**

	<b>Amount \$</b>
At December 31, 2015	120,472
Cancelled escrowed seed shares (note 6)	100,000
As at December 31, 2016	220,472
As at June 30, 2017	220,472



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**7. Share-based Payments**

The Corporation has adopted a stock option plan (the "Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and employees of the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Vesting terms will be determined at the time of grant by the Board of Directors.

A summary of the stock option plan transactions since the Corporation's inception are as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at December 31, 2015	1,000,000	\$ 0.10
Outstanding at December 31, 2016	1,000,000	\$ 0.10
Outstanding at June 30, 2017	1,000,000	\$ 0.10

All options outstanding were issued on May 13, 2013, vested upon issuance and have a weighted average remaining contractual life of 0.9 years.

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Grant date share price	\$0.10
Exercise price	\$0.10
Expected volatility	100%
Forfeitures	0%
Risk-free interest rate	1.57%
<u>Fair value at grant date</u>	<u>\$0.05</u>

At the time of grant of the share-based payment transactions, the Corporation's stock had less than two years of trading history; therefore the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

**Agent options**

The Corporation issued agent options as compensation to agents to purchase common shares in conjunction with the IPO.

A summary of agent option transactions are as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at December 31, 2015	500,000	\$ 0.10
Outstanding at December 31, 2016	500,000	\$ 0.10
Outstanding at June 30, 2017	500,000	\$ 0.10

As of July 14, 2015, the TSXV consented to the extension in the expiry date of the agents' options. However, since the previous options had expired the Corporation issued new options with the original terms, other than the expiry date. The new expiry date is the earliest of: delisting of the Corporation's shares, transfer to NEX Exchange (a

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separate board of the TSXV) upon failing to complete a qualifying transaction within the time frame prescribed by the TSXV or issuance of the final bulletin for acceptance of a qualifying transaction. Management anticipates that one of these events will occur in 2016. The exercise price remains at \$0.10 per common share.

**8. Loss per share**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Weighted average common shares outstanding	8,000,000	10,000,000	8,000,000	10,000,000
Diluted common shares outstanding	8,000,000	10,000,000	8,000,000	10,000,000

The basic and diluted loss per share amounts are the same, as the stock options and agent options were excluded from the dilution calculation, as they were anti-dilutive.

**9. Income Taxes**

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 27.0% (2016 – 27.0%).

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loss for the period before tax	(103,703)	(10,946)	(187,826)	(28,310)
Statutory tax rate	27.0%	27.0%	27.0%	27.0%
Expected income tax recovery	28,000	2,955	50,713	7,644
Permanent differences:				
Share based payments	-	-	-	-
Change in Enacted Tax Rates	-	-	-	-
Change in unrecognized temporary difference	(28,000)	(2,955)	(50,713)	(7,644)
Income tax expense	-	-	-	-

The tax benefits of the following temporary differences have not been recognized for accounting purposes.

	June 30, 2017	December 31, 2016
	\$	\$
Share issue costs	3,180	6,361
Loss carry forwards	140,184	86,291
	143,365	92,652

As at June 30, 2017 the Corporation has a non-capital loss carry-forward of \$519,202 available to reduce future years' income for tax purposes. This non-capital loss carry-forward has not been recognized in the financial statements and will begin to expire in 2031.

**10. Financial instruments and risk management**

**Fair value of financial instruments**

As at June 30, 2017, the Corporation's financial instruments consist of cash and cash equivalents, accounts

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receivable, note receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their short-term nature.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation has no financial instruments recorded at fair value through profit and loss.

### **Risk management**

The Corporation is exposed in varying degrees to a variety of financial instrument related risk.

- Credit risk - Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. Credit risk primarily arises from the Corporation's cash and cash equivalents, accounts receivable and note receivable balances. The Corporation manages its exposure to credit risk through standard credit granting procedures and short repayment terms of less than one year. The Corporation's credit risk exposure is equal to the carrying value of these financial instruments at the statement of financial position date. The Corporation is exposed to significant credit risk relating to the note receivable issued to GLN if the qualifying transaction is not completed as the note is unsecured. The Corporation attempts to monitor the financial condition of GLN and the industry in which it operates.
- Liquidity risk - Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations and commitments as they become due. The Corporation manages liquidity through the management of its capital structure, as outlined in note 13. The Corporation's liquidity risk arises as a result of its accounts payable and accrued liabilities.
- Interest rate risk - Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The effect of interest rates increasing by 0.25%, with all other variables held constant, would have caused the corporation comprehensive loss to decrease by \$978.
- Currency risk - The Corporation does not have any material exposures to financial instruments denominated in currencies other than the Canadian dollar.

### **11. Capital disclosures**

The Corporation's capital as at June 30, 2017 consists of \$348,491 (December 31, 2016 - \$479,305) cash and cash equivalents and \$505,906 (December 31, 2016 - \$505,906) share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction.

The Corporation 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.

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The Corporation's objectives when managing capital are:

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

The Corporation is restricted to spending \$210,000 of its capital on corporate costs that do not relate to pursuing a Qualifying Transaction, such as general and administrative expenses relating to being listed on the TSXV and issuing shares. As of June 30, Exito has spent \$208,566 (2016 - \$157,373) that fall within this spending restriction.

## **12. Related party transactions**

Pursuant to an Administration Services Agreement, Exito pays \$1,429 per month to a corporation wholly owned by two directors of the Corporation for the use of office space, reception and boardrooms, equipment (including computers, telephones, vehicles, etc.), printing and all other necessary administrative functions and services required to permit Exito to review and evaluate potential Qualifying Transactions. During the three and six months ended June 30, 2017 \$4,286 and \$8,572, respectively (2016 - \$4,286 and \$8,572), was paid in accordance with this arrangement. There was \$nil in accounts payable and accrued liabilities at June 30, 2017 and 2016.

During the three and six months ended June 30, 2017, \$44,877 and \$82,257, respectively (2016 - \$375 and \$5,946) in legal fees and disbursements were incurred and was paid to a law firm, for legal services, in which a Director of the Corporation is a Partner. The legal fees incurred that were associated with the Qualifying Transactions were classified as business acquisition costs for the three and six months ending June 30, 2017 were \$44,877 and \$82,257, respectively (2016 - \$nil and \$5,006) with the remaining fees being associated with general legal services. There was \$132,098 in accrued liabilities as at June 30, 2017 (2016 - \$36,214) related to business acquisition costs associated with the GLN Transaction and the unsuccessful transaction with Millennium in 2014. There was \$nil in accounts payable as at June 30, 2017 (2016 - \$394) relating to general legal service fees.