

Unaudited Condensed Interim Financial Statements of
ANCHOR CAPITAL CORPORATION
As At and for the Period Ended September 30, 2018
(Expressed in Canadian Dollars)

Notice of no Auditor Review – Financial Statements

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statement.

ANCHOR CAPITAL CORPORATION

*As at and for the Period Ended September 30, 2018
(Expressed in Canadian Dollars)*

Contents

Condensed Interim Statement of Financial Position	3
Condensed Interim Statement of Comprehensive Loss	4
Condensed Interim Statement of Changes in Shareholders' Equity	5
Condensed Interim Statement of Cash Flows	6
Notes to the Condensed Interim Financial Statements	7 - 15

ANCHOR CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	As at September 30, 2018	As at December 31, 2017
CURRENT		
Cash (note 2)	<u>\$ 31,071</u>	<u>\$ 64,409</u>
TOTAL ASSETS	<u>\$ 31,071</u>	<u>\$ 64,409</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ -	\$ 16,362
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 3)	284,222	284,222
CONTRIBUTED CAPITAL	65,542	65,542
DEFICIT	<u>(318,693)</u>	<u>(301,717)</u>
	<u>31,071</u>	<u>48,047</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 31,071</u>	<u>\$ 64,409</u>

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on November 28, 2018 and were signed on its behalf by:

"Darren Stark"
Darren Stark, Director

"Brandon Kou"
Brandon Kou, Director

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

ANCHOR CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Three months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
REVENUE	\$ -	\$ 12	\$ 8	\$ 37
EXPENSES				
Professional fees	3,735	1,992	16,984	27,672
	3,735	1,992	16,984	27,672
Loss and comprehensive loss, for the period (note 4)	\$ (3,735)	\$ (1,980)	\$ (16,976)	\$ (27,635)
Loss per share - Basic and Diluted (note 4)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

ANCHOR CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

Nine months ended September 30, 2017	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, beginning of period	\$ 284,222	\$ 65,542	\$ (234,571)	\$ 115,193
Loss and comprehensive loss	-	-	(27,635)	(27,635)
Balance, end of period	\$ 284,222	\$ 65,542	\$ (262,206)	\$ 87,558

Nine months ended September 30, 2018	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, beginning of period	\$ 284,222	\$ 65,542	\$ (301,717)	\$ 48,047
Loss and comprehensive loss	-	-	(16,976)	(16,976)
Balance, end of period	\$ 284,222	\$ 65,542	\$ (318,693)	\$ 31,071

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

ANCHOR CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM STATEMENT OF CASHFLOWS
(Expressed in Canadian dollars)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
CASHFLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (3,735)	\$ (1,980)	\$ (16,976)	\$ (27,635)
Changes in non-cash working capital items				
Decrease in accounts payables and accrued liabilities	-	-	(16,362)	(40,275)
NET CASH USED IN OPERATING ACTIVITIES	(3,735)	(1,980)	(33,338)	(67,910)
NET DECREASE IN CASH POSITION FOR THE PERIOD	(3,735)	(1,980)	(33,338)	(67,910)
CASH - BEGINNING OF PERIOD	34,806	89,538	64,409	155,468
CASH - END OF PERIOD	\$ 31,071	\$ 87,558	\$ 31,071	\$ 87,558
SUPPLEMENTARY DISCLOSURE OF CASHFLOW INFORMATION				
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -	\$ -

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

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS

Anchor Capital Corporation (the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014 and is a Capital Pool Corporation ("CPC") as defined pursuant to Policy 2.4 of TSX Venture Exchange Inc. ("TSX Venture"). The Corporation proposes to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. The registered office address of the Corporation is 421 7th Avenue SW, TD Canada Trust Tower, Suite 1700, Calgary AB T2P 4K9.

The Company had twenty-four months from the date the Corporation's shares were listed on the TSX Venture to complete its Qualifying Transaction, at which time the TSX Venture may suspend or de-list the Corporation's shares from trading. The Corporation's shares began trading on the TSX Venture Exchange on December 2, 2014. On March 15, 2017, the Corporation was granted an extension by the TSX Venture Exchange for the completion of the Qualifying Transaction (note 8) to September 7, 2017. The Corporation did not complete a Qualifying Transaction by September 7, 2017 and its common shares were transferred to NEX by filing a NEX listing notification with the TSXV, and cancelling its outstanding seed shares held by non-arm's length parties of the Corporation. As at September 30, 2018, the Corporation has not completed its qualifying transaction, had no business operations and its only significant asset was cash.

The Corporation's continued operations are dependent upon its ability to identify, evaluate and negotiate an acquisition of or a participation in an interest in properties, assets, or businesses. At present the Corporation has not completed its Qualifying Transaction within the required period and is not in compliance with the use of cash proceeds (note 2). Without additional financing the Corporation will be unable to fund its ongoing operations. The Corporation will need to raise sufficient working capital to maintain operations. Where an acquisition or participation is warranted additional funding may also 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 its Qualifying Transaction and obtain additional financing. There is no assurance that the Corporation will be able to complete its Qualifying Transaction or obtain such financings or obtain them on favorable terms. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. These condensed interim financial statements do not include any adjustments which could be significant should the Corporation be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

Statement of Compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Certain financial information and disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. The disclosure provided herein is incremental to the disclosures included in the annual

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Preparation and Statement of Compliance, *continued*

financial statements. These condensed interim financial statements should be read in conjunction with the Corporation's annual audited financial statements for the year ended December 31, 2017.

These condensed interim financial statements have been prepared following the same accounting policies as the Corporation's annual audited financial statements for the year ended December 31, 2017.

Basis of Measurement

These condensed interim financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Summary of Accounting Estimates and Assumptions

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of selected non-current assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in these condensed interim financial statements are:

Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Functional and Presentation Currency

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

The Corporation's principal accounting policies are outlined below:

Cash

Cash is held in a lawyer's trust, which is comprised of proceeds from the issuance of share capital.

The proceeds raised from the issuance of share capital and from the initial public offering (the "Offering") may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

restrictions apply until the completion of a Qualifying Transaction by the Corporation as defined under the policies of the TSX Venture.

SIGNIFICANT ACCOUNTING POLICIES, *continued*

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly 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 set off the amounts, and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed interim financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Share Capital

Common shares are classified as equity. Costs directly attributable to the issuance of shares are recognized as a deduction from share capital.

Loss per Share

Loss per share is calculated by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Revenue Recognition

Interest income is recorded in the period in which it is earned.

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

SIGNIFICANT ACCOUNTING POLICIES, *continued*

Non-Derivative Financial Instruments

Non-derivative financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Non-derivative financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of cash and are included in current assets due to its short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment.

Financial liabilities within the scope of IAS 39, Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through the profit or loss, or other financial liabilities, as appropriate.

The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Corporation's other financial liabilities include accounts payable and accrued liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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) for substantially the full term of the asset or liability; and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data and unobservable inputs supported by little or no market activity.

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

SIGNIFICANT ACCOUNTING POLICIES, *continued*

Share Based Payments

Equity-settled share based payments for directors, officers, employees and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements with the offsetting amount recorded to contributed surplus. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period of each tranche (graded vesting) based on the Corporation's estimate of shares that will eventually vest. Any consideration paid by directors, officers, employees, and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Compensation expense on share options granted to non-employees is measured based on the fair value of the goods or services received unless that fair value cannot be reliably measured. The fair value is measured at the date the entity obtains the goods or service.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

3. SHARE CAPITAL

Authorized

Unlimited number of common shares, voting, participating
Unlimited number of preferred shares, issuable in series

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued and outstanding common shares

	Number	\$
As at December 31, 2017 and September 30, 2018	4,514,000	284,222

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

SHARE CAPITAL, *continued*

Stock Option Plan

The Corporation has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The options are exercisable for the period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

On December 2, 2014, the Corporation granted stock options to officers and directors of the Corporation to acquire 551,400 common shares at a price of \$0.10 per share which will expire on December 2, 2024. The stock options were valued at \$47,972 using the Black-Scholes valuation model assuming a life expectancy of 10 years, a risk free rate of 1.89%, expected dividend yield of 0%, vest immediately and volatility of 93%.

The following table summarizes the stock options outstanding:

	Number of Options	Weighted Average Exercise Price	Share Price at Date of Exercise
Outstanding, January 1, 2017	551,400	\$ 0.10	\$ -
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Forfeited	-	-	-
Outstanding, December 31, 2017	551,400	\$ 0.10	\$ -
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Forfeited	-	-	-
Outstanding, September 30, 2018	551,400	\$ 0.10	\$ -

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

SHARE CAPITAL, *continued*

Contributed Surplus

Share-based compensation expense is based on estimated fair value of the related stock options at the time of grant and is recognized as an expense with a corresponding increase in contributed surplus.

Contributed Surplus	
December 31, 2017 and September 30, 2018	\$ 65,542

Escrowed Shares

Pursuant to an escrow agreement dated as of March 15, 2014 among the Corporation, Alliance Trust Corporation and certain shareholders of the Corporation, 2,000,000 common shares, being all of the issued and outstanding common shares prior to the completion of the Offering, have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the TSX Venture, common shares held pursuant to the escrow agreement shall be released as to 10% immediately following the issuance of the bulletin of the TSX Venture announcing final acceptance of the Qualifying Transaction (the "Initial Release") and an additional 15% shall be released every six months commencing six months following the Initial Release.

4. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding during the period. Loss per share is calculated as follows:

	Net Loss	Shares	Loss per share	
			Basic	Diluted
September 30, 2018	\$ 16,976	4,514,000	\$ (0.00)	\$ (0.00)
September 30, 2017	\$ 27,635	4,514,000	\$ (0.00)	\$ (0.00)

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

5. RELATED PARTY TRANSACTIONS

There were no related party transactions during the nine month period ended September 30, 2018.

6. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist of cash. The Corporation's cash is held within a trust account by a highly reputable law firm. Therefore, the Corporation does not believe it is currently exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash in line with restrictions noted in note 2. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

7. MANAGEMENT OF CAPITAL

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subjected. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

8. QUALIFYING TRANSACTION

Anchor received shareholder approval to transfer its listing to the NEX, a separate board of the TSX Venture Exchange, and to cancel an aggregate of 1,000,000 Seed Shares (as defined by the Exchange) held by Non Arm's Length Parties of the CPC (including the officers, directors, insiders and control persons of the Corporation). The NEX provides a trading forum for listed companies that have fallen below TSX and TSX Venture's ongoing listed standards, or companies that have low level of business activity or have ceased to carry on active business. Trading of the common shares of Anchor (the "Common Shares") is currently suspended.

9. SUBSEQUENT EVENT

Anchor signed a non-binding letter of intent (the "**LOI**") with Spyder Vapes Inc., a corporation existing under the laws of Canada ("**Spyder**"), which outlines the general terms and conditions pursuant to which Anchor and Spyder would be willing to complete a transaction that will result in a reverse take-over of Anchor by the shareholders of Spyder (the "**Transaction**"). The LOI was negotiated at arm's length and is effective as of November 7, 2018.

The LOI is to be superseded by a definitive merger, amalgamation or share exchange agreement (the "**Definitive Agreement**") to be signed on or prior to December 15, 2018, or such later date as may be mutually agreed upon by the parties in writing. The Transaction is subject to requisite regulatory approval, including the approval of the TSX Venture Exchange (the "**TSXV**"), and standard closing conditions, including the approval of the directors of each of Anchor and Spyder of the Definitive Agreement, completion of due diligence investigations to the satisfaction of each of Anchor and Spyder, and the conditions described below. The legal structure for the Transaction will be confirmed after the parties have considered all applicable tax, securities law and accounting efficiencies.

Since the Transaction is not a non-arm's length transaction, Anchor is not required to obtain shareholder approval for the Transaction.

Trading in the common shares of Anchor is halted at present. It is unlikely that the common shares of Anchor will resume trading until the Transaction is completed and approved by the TSXV.

Conditions to Transaction

Prior to completion of the Transaction (and as conditions of closing):

- The parties will prepare a filing statement in accordance with the rules of the TSXV, outlining the terms of the Transaction.
- Anchor and Spyder will enter into a Definitive Agreement in respect to the Transaction on or prior to December 15, 2018.

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

- Anchor and Spyder will, if necessary, obtain the requisite board and shareholder approvals for the Transaction and any ancillary matters contemplated in the Definitive Agreement including to change the name of Anchor to “*Spyder Vapes Inc.*”
- All requisite regulatory approvals relating to the Transaction, including, without limitation, the TSXV, will have been obtained.
- Spyder will close the Private Placement (as defined below) for gross proceeds of up to \$2,000,000.

The Proposed Transaction

Pre-Closing Capitalization of Anchor

As of the date hereof, Anchor has issued and outstanding 4,514,000 common shares of Anchor (each an “**Anchor Share**”) and securities exercisable or exchangeable for, or convertible into, or other rights to acquire, an aggregate of 551,400 common shares of Anchor at an exercise price of \$0.10 per Anchor Share. The Anchor Shares are currently listed on the NEX board of the TSXV under the symbol “ANC.H”.

Pre-Closing Capitalization of Spyder

Spyder is incorporated under the *Canada Business Corporations Act* and, as of the date hereof, has (a) 7,720,000 common shares issued and outstanding (collectively, the “**Spyder Shares**”), (b) 2,700,000 stock options exercisable to acquire 2,700,000 Spyder Shares (the “**Spyder Options**”), of which (i) 2,000,000 have an exercise price of \$0.05 and expire on September 1, 2022, (ii) 200,000 have an exercise price of \$0.10 and expire on September 4, 2023, and (iii) 500,000 have an exercise price have an exercise price of \$0.10 and expire on September 28, 2023; and (c) \$673,000 in principal amount of convertible debentures (the “**Outstanding Debentures**”), such Outstanding Debentures accruing interest at a rate of 10% per annum, and the principal amount and accrued interest thereon being convertible into Spyder Shares at \$0.05 per Spyder Share, of which (i) \$403,000 in Outstanding Debentures mature on July 1, 2019, (ii) \$10,000 mature on August 1, 2019, (iii) \$60,000 mature on November 1, 2019, (iv) \$50,000 mature on January 1, 2020, and (v) \$150,000 mature on February 1, 2020. It is intended that Spyder shall cause all “in-the-money” securities to be exercised, exchanged or converted, as the case may be, concurrently with the closing of the Transaction. Notwithstanding the foregoing, the holders of Spyder Options may, at the option of the holders thereof, elect to replace their Spyder Options with options to acquire Anchor Shares, but otherwise bearing the same terms as the Spyder Options which they replace.

Spyder is currently completing a non-brokered private placement of a principal amount of up to \$850,000 of secured debentures (the “**Debenture Financing**”) that may be convertible into an aggregate of 8,500,000 Spyder Shares (“**Debenture Shares**”) at a conversion price of \$0.10 per Spyder Share. The proceeds of the Debenture Financing are being applied to the current working capital needs of Spyder. The Debenture Financing is not contingent on the closing of the Transaction. The Debenture Shares will be exchanged for Anchor Shares upon the closing of the

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

Transaction. There is no minimum dollar value placement requirement for the Debenture Financing.

In addition, Spyder may complete a separate non-brokered private placement of additional secured debentures in the aggregate principal amount of up to \$2,000,000 (the “**Private Placement**”); together with the Debenture Financing, the “**Spyder Financings**”), which will be convertible into a maximum of 10,000,000 units of Spyder (“**Units**”), at a price of \$0.20 per Unit. Each Unit will be comprised of one Spyder Share and one-half (1/2) of one Spyder Share purchase warrant (“**Spyder Warrants**”), with each whole Spyder Warrant entitling the holder thereof to acquire one additional Spyder Share, at an exercise price of \$0.40 per share, for a period of 24 months following the closing of the Private Placement. Upon closing of the Transaction, each Spyder Share and Spyder Warrant underlying the Units will automatically adjust in accordance with the terms thereof such that following the completion of the Transaction, the holders thereof shall be entitled to acquire an equivalent number of Anchor Shares and Anchor Warrants. There is no minimum dollar value placement requirement for the Private Placement. It is anticipated that proceeds from the Private Placement will be used for new product development, sales, marketing and business development and for general working capital.

Spyder has agreed to pay 514 Finance Inc. and 2432692 Ontario Inc. (collectively, the “**Finders**”) a finder’s fee of 450,000 Spyder Shares and 300,000 Spyder Shares, respectively, which would be immediately issued and exchanged for Anchor Shares upon the successful closing of the Transaction. Each of 514 Finance Inc. and 2432692 Ontario Inc. are arm’s length to Spyder and Anchor. Such Spyder Shares are being issued at a deemed price of \$0.20 per Spyder Share for aggregate consideration of \$150,000.

Terms of the Transaction

Pursuant to the Transaction, one (1) Anchor Share, at a deemed value of \$0.20 per Anchor Share, will be issued to the holders of Spyder Shares (“**Spyder Shareholders**”) in exchange for each one (1) Spyder Share issued and outstanding as at the effective date of the Transaction.

Accordingly, the capital structure of Anchor (the “**Resulting Issuer**”), on a post-Transaction basis, would be as follows:

ANCHOR CAPITAL CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

	Resulting Issuer Shares		Convertible Securities		Percentage	
	<i>Assuming Minimum Spyder Financings</i>	<i>Assuming Maximum Spyder Financings</i>	<i>Assuming Minimum Spyder Financings</i>	<i>Assuming Maximum Spyder Financings</i>	<i>Assuming Minimum Spyder Financings</i>	<i>Assuming Maximum Spyder Financings</i>
Anchor Shareholders	4,514,000	4,514,000	551,400 @ \$0.10	551,400 @ \$0.10	16.0%	9.2%
Spyder Shareholders	25,760,000 ⁽¹⁾	44,260,000	Nil ⁽²⁾	5,000,000 @ \$0.40	81.6%	89.4%
Finders	750,000	750,000	Nil	Nil	2.4%	1.4%
TOTAL	31,024,000	49,524,000	551,400	5,551,400	100%	100%

Notes:

1. All of the Outstanding Debentures and the convertible debentures issued pursuant to the Spyder Financings will convert automatically upon Closing.
2. This assumes that all Spyder Options are exercised prior to Closing.

It is expected that the Resulting Issuer will be classified as a Tier 2 Technology Issuer.

No deposit or advance has been made by the Company to Spyder in connection with the Transaction.