

ANCHOR CAPITAL CORPORATION
As at and for the Year Ended December 31, 2018
(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Directors of Anchor Capital Corporation

Opinion

We have audited the financial statements of Anchor Capital Corporation (the "Entity"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit 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 Entity 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw your attention to Note 1 in the consolidated financial statements that indicates the Entity has not yet completed its Qualifying Transaction and without additional funding will not be able to fund its operations. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Entity's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the Management 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 identified above 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 the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 these financial statements in accordance with IFRSs, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 John Leavitt.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
May 1, 2019

ANCHOR CAPITAL CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018 and 2017

ASSETS		
	December 31, 2018	December 31, 2017
CURRENT		
Cash (note 2)	<u>\$ 29,233</u>	<u>\$ 64,409</u>
TOTAL ASSETS	<u>\$ 29,233</u>	<u>\$ 64,409</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 6)	\$ 12,200	\$ 16,362
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 3)	284,222	284,222
CONTRIBUTED CAPITAL (note 3)	84,918	65,542
DEFICIT	<u>(352,107)</u>	<u>(301,717)</u>
	<u>17,033</u>	<u>48,047</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 29,233</u>	<u>\$ 64,409</u>

The financial statements were approved and authorized for issue by the Board of Directors on May 1, 2019 and were signed on its behalf by:

“Edward Ierfino”
Edward Ierfino, Director

“Brandon Kou”
Brandon Kou, Director

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

ANCHOR CAPITAL CORPORATION
STATEMENT OF COMPREHENSIVE LOSS
For the years ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
REVENUE	\$ 8	\$ 50
<hr/>		
EXPENSES		
General & administrative costs (note 6)	31,022	67,196
Share based compensation (note 3)	19,376	-
	<hr/> 50,398 <hr/>	<hr/> 67,196 <hr/>
Loss and comprehensive loss	\$ (50,390)	\$ (67,146)
Loss per share - Basic and Diluted	\$ (0.01)	\$ (0.01)

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

ANCHOR CAPITAL CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2018 and December 31, 2017

	Share capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance December 31, 2016	\$ 284,222	\$ 65,542	\$ (234,571)	\$ 115,193
Comprehensive loss	-	-	(67,146)	(67,146)
Balance December 31, 2017	\$ 284,222	\$ 65,542	\$ (301,717)	\$ 48,047
	Share capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance December 31, 2017	\$ 284,222	\$ 65,542	\$ (301,717)	\$ 48,047
Comprehensive loss	-	19,376	(50,390)	(31,014)
Balance December 31, 2018	\$ 284,222	\$ 84,918	\$ (352,107)	\$ 17,033

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

ANCHOR CAPITAL CORPORATION
STATEMENT OF CASH FLOWS
For the years ended December 31, 2018 and December 31, 2017

	December 31, 2017	December 31, 2016
CASHFLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (50,390)	\$ (67,146)
Share based compensation	19,376	-
Changes in non-cash working capital items:		
Decrease in accounts payables and accrued liabilities	(4,162)	(23,913)
	(35,176)	(91,059)
NET CASH USED IN OPERATING ACTIVITIES		
	(35,176)	(91,059)
NET DECREASE IN CASH POSITION FOR THE YEAR	(35,176)	(91,059)
CASH - BEGINNING OF YEAR	64,409	155,468
CASH - END OF YEAR	\$ 29,233	\$ 64,409
 SUPPLEMENTARY DISCLOSURE OF CASHFLOW INFORMATION		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

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 Board of Directors approved the consolidated financial statements on May 1, 2019.

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 December 31, 2018, the Corporation has not completed its qualifying transaction, had no business operations and its only significant asset was cash. Subsequent to year-end, the Company has announced a proposed qualifying transaction with Spyder Vapes Inc. (note 9).

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). The Corporation has filed the Filing Statement for the proposed qualifying transaction with Spyder Vapes Inc. ("Spyder") (Note 9). 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 favourable terms. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. These audited 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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Significant accounting policies are set out below and have been consistently applied to all the years presented, unless otherwise stated.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Measurement

These 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 the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the 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 the 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

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

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

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

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 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.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

SIGNIFICANT ACCOUNTING POLICIES, continued

Non-Derivative Financial Instruments

As the Company adopted IFRS 9, Financial Instruments as of January 1, 2018 cumulatively without restatement of comparative figures, different policies apply to the 2018 period presented than the comparative periods. IFRS 9 supersedes IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities; and new guidance for measuring impairment on financial assets. The adoption of IFRS 9 did not have a material effect on the financial statements.

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 at amortized cost, fair value through profit or loss, or fair value through other comprehensive loss.

The Company's financial asset measured at amortized cost is cash.

Financial assets, other than items classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired based upon an expected credit loss model as prescribed by IFRS 9, taking into consideration both historic and forward looking information.

Financial liabilities within the scope of IFRS 9 are classified as liabilities at amortized cost, 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.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

SIGNIFICANT ACCOUNTING POLICIES, continued

IFRS 13, Fair Value Measurement, 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.

Share Based Payments

Equity-settled share based payments for directors, officers and 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.

Accounting Standards Issued But Not Yet Applied

International Financial Reporting Standard 16, Leases, (“IFRS 16”) was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. There is no expected impact as a result of adopting IFRS 16 on January 1, 2019.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

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, 2018 and December 31, 2017	4,514,000	284,222

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, in 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 of which 551,400 will expire on December 2, 2024.

On October 29, 2018, 351,400 options to acquire 351,400 common shares were forfeited by previous officers of the Corporation and immediately granted to officers of the Corporation at a price of \$0.10 per share of which 351,400 will expire on October 29, 2029. The stock options were valued at \$19,376 using the Black-Scholes valuation model assuming a share price of \$0.08, life expectancy of 6 years, a risk free rate of 1.95%, expected dividend yield of 0%, vest immediately and volatility of 86%.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

SHARE CAPITAL, continued

Effective April 22, 2019, the Board resolved to amend the Stock Option Plan so as to change it from a 10% rolling plan to a fixed number plan contemplating a maximum of 551,400 options that may be granted thereunder.

The following table summarizes the stock options outstanding:

	Number of options	Weighted average exercise price	Share price at date of exercise
Outstanding, December 31, 2016	551,400	\$ 0.10	\$ -
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Forfeited	-	-	-
Outstanding, December 31, 2017 and 2018	551,400	\$ 0.10	\$ -
Granted	351,400	0.10	-
Exercised	-	-	-
Expired	-	-	-
Forfeited	(351,400)	0.10	-
Outstanding, December 31, 2018	551,400	\$ 0.10	\$ -

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	\$ 65,542
Share based compensation	19,376
December 31, 2018	\$ 84,918

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 and 1,000,000 were cancelled (note 1). As at December 31, 2018, there are 1,000,000 common shares being held in escrow subject to a TSX Venture mandated CPC Escrow Agreement.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

SHARE CAPITAL, continued

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
December 31, 2018	\$ 50,390	4,514,000	\$ (0.01)	\$ (0.01)
December 31, 2017	\$ 67,146	4,514,000	\$ (0.01)	\$ (0.01)

5. INCOME TAXES

- a) Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 27.00% to income before income taxes as follows:

	December 31, 2018	December 31, 2017
Loss before income taxes	\$ (50,390)	\$ (67,147)
Statutory income tax rate	27.00%	27.00%
Tax recovery	(13,605)	(18,129)
Non-deductible expenses	5,231	-
Change in tax rates	-	-
Share issue costs	-	-
Change in unrecognized	8,374	18,129
Deferred tax assets	-	-
	\$ -	\$ -

- b) Significant components of the deferred tax asset are as follows:

	December 31, 2018	December 31, 2017
Share issuance costs	\$ 1,191	\$ 9,459
Investments - Mark One share of ACB	9,599	10,104
Non-capital losses	107,434	90,287
	\$ 118,224	\$ 109,850

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

- c) As at December 31, 2018, the Company has estimated non-capital losses for Canadian income tax purposes that expire as follows:

2034	\$	55,891
2035		95,995
2036		83,782
2037		98,728
2038		63,507
	<u>\$</u>	<u>397,903</u>

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, there were no related party transactions (2017 - \$28,397 was expensed to a law firm in which a former Director of the Corporation was a partner). No related party amounts remain outstanding in accounts payable and accrued liabilities (2017 - \$4,162)

7. 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 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.

ANCHOR CAPITAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

8. 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 subject. 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.

Management reviews its capital management approach on an ongoing basis and believes its current approach is reasonable. There has been no change in management's approach to capital management during the year.

9. SUBSEQUENT EVENTS

Anchor Subsidiary

Anchor has one wholly-owned subsidiary, 11304372 Canada Inc. ("**Anchor Sub**"), which was incorporated on March 18, 2019 pursuant to the filing of articles of incorporation under the *Canada Business Corporations Act*. The registered office of the Anchor Sub is located at 421 – 7th Avenue SW, TD Canada Trust Tower, Suite 1700, Calgary, Alberta T2P 4K9.

The Proposed Transaction

The Company, Anchor Sub and Spyder Cannabis Inc. ("Spyder") entered into the Amalgamation Agreement, pursuant to which the parties agreed to complete the Proposed Qualifying Transaction on the terms set out therein.

Completion of the Amalgamation is subject to compliance with the terms and conditions set forth in the Amalgamation Agreement. Upon the Amalgamation becoming effective, Amalco will own all of the assets, properties, rights, privileges and franchises and be subject to all of the liabilities, contracts and obligations of each of the amalgamating corporations. The Amalgamation will constitute the Company's Qualifying Transaction for the purpose of the CPC Policy. The Proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction.