

# **JG WEALTH INC.**

**(Formerly JG Wealth Management Corporation)**

**Condensed Interim Consolidated Financial Statements**

**For the Three Months and Six Months Ended March 31, 2018 and 2017**

**(Unaudited - Expressed in Canadian Dollars)**

## **NOTICE TO READER**

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 interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – *Interim Financial Reporting*.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**JG WEALTH INC. (formerly JG Wealth Management Corporation)**  
**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited, in Canadian dollars)*

	Note	March 31 2018	September 30 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 9,049	\$ 469,311
Accounts Receivable		813,000	-
Sales tax receivable		11,370	7,718
Investments	3,9	3,499,955	3,563,188
Note receivable	4	5,510,745	-
Prepays and deposits		-	525
<b>TOTAL ASSETS</b>		<b>\$ 9,844,119</b>	<b>\$ 4,040,742</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 97,393	\$ 12,600
Convertible debenture payable	5	2,152,157	-
Due to related parties	9	50,000	121,923
Note payable	7	46,923	176,427
		2,346,473	310,950
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		113,000	113,000
<b>TOTAL LIABILITIES</b>		<b>2,459,473</b>	<b>423,950</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	4,717,064	2,317,064
Reserves	5	437,349	39,511
Retained earnings		2,230,233	1,260,217
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,384,646</b>	<b>3,616,792</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 9,844,119</b>	<b>\$ 4,040,742</b>

Nature of operations 1  
Subsequent events 11

On behalf of the Board

"Sonny Janda"  
Director

"Robert Rosner"  
Director

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

**JG WEALTH INC. (formerly JG Wealth Management Corporation)**  
**CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE**  
**INCOME**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED MARCH 31,**  
*(Unaudited, in Canadian dollars)*

	Note	Three Months Ended March 31,		Six Months Ended March 31,	
		2018	2017	2018	2017
<b>Operating Expenses</b>					
Consulting		\$ (7)	\$ 1,500	\$ 10,254	\$ 9,500
Office and administration		1,634	1,500	6,134	6,000
Professional fees		19,802	3,790	23,772	5,390
Travel		1,049	-	1,049	-
Trust and filing fees		10,395	4,661	18,722	7,330
		<u>32,873</u>	<u>11,451</u>	<u>59,931</u>	<u>28,220</u>
<b>Other Items</b>					
Accretion	5	(78,781)	-	(117,678)	-
Interest Income	4	234,484	2,218	480,345	8,593
Interest expenses	5	(65,030)	(1,643)	(93,362)	(3,187)
Foreign exchange gain (loss)	4	(285)	-	(51,885)	-
Gain on forgiveness of interests	7	5,195	-	5,195	-
Realized gain (loss) on sale of investments	3	(283,090)	-	(313,952)	8,612
		<u>(187,507)</u>	<u>575</u>	<u>(91,337)</u>	<u>14,018</u>
<b>Net Income (Loss) for the Period</b>		<b>(220,380)</b>	<b>(10,876)</b>	<b>(151,268)</b>	<b>(14,202)</b>
<b>Other Comprehensive Income (Loss)</b>					
Unrealized gain (loss) on fair value of investments	3	309,100	1,056,832	1,121,284	955,496
<b>Comprehensive Income (Loss) for the Period</b>		<b>\$ 88,720</b>	<b>\$ 1,045,956</b>	<b>\$ 970,016</b>	<b>\$ 941,294</b>
<b>Basic and diluted earnings (loss) per share</b>		<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted Average Number of Common Shares Outstanding</b>					
Basic and diluted		81,673,823	62,348,594	81,673,823	62,868,344

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

**JG WEALTH INC. (formerly JG Wealth Management Corporation)**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

*(Unaudited, in Canadian dollars, except share number)*

	Note	Issued Common Shares		Reserves		Retained Earnings	Total
		Number of Shares	Amount	Loan Reserve	Other Capital Reserve		
Balance at September 30, 2016		62,868,344	\$ 2,317,064	\$ -	\$ 39,511	\$ 1,033,420	\$ 3,389,995
Net income for the period		-	-	-	-	941,294	941,294
Balance at March 31, 2017		62,868,344	2,317,064	-	39,511	1,974,714	4,331,289
Net loss for the period		-	-	-	-	(714,497)	(714,497)
Balance at September 30, 2017		62,868,344	2,317,064	-	39,511	1,260,217	3,616,792
Issuance of common shares	8	48,000,000	2,400,000	-	-	-	2,400,000
Issuance of convertible debentures	5			397,838			397,838
Net income for the period						970,016	970,016
Balance at March 31, 2018		110,868,344	\$ 4,717,064	\$ 397,838	\$ 39,511	\$ 2,230,233	\$ 7,384,646

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

**JG WEALTH INC. (formerly JG Wealth Management Corporation)****CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

FOR THE SIX-MONTH PERIODS ENDED MARCH 31,

*(Unaudited, in Canadian dollars)*

	2018	2017
<b>Operating Activities</b>		
Net income for the period	\$ 970,016	\$ 941,294
Adjustments for non-cash items		
Accretion	117,678	-
Accrued interests	92,317	2,960
Interest income	(479,654)	-
Gain from forgiveness of interests	(5,195)	-
Foreign exchange loss	51,885	
Loss from sale of investments	313,952	(8,612)
Unrealized (gain) loss on fair value of investments	(1,121,284)	(955,496)
Changes in non-cash working capital items		
Accounts receivable	(816,652)	(6,299)
Accounts payable and accrued liabilities	93,793	43,274
Due to related parties	(71,923)	10,905
Prepays and deposits	525	130,283
Net cash flow provided by (used in) operating activities	(854,542)	158,309
<b>Investing Activities</b>		
Proceeds from repayment of note receivable	-	862,156
Proceeds from sale of investments	915,325	12,898
Acquisition of investments	(53,760)	(320,203)
Issuance of promissory note	(5,082,285)	-
Net cash flow provided by (used in) investing activities	(4,220,720)	554,851
<b>Financing Activities</b>		
Proceeds from issuance of convertible debentures	2,340,000	-
Repayment of promissory note	(125,000)	-
Proceeds from issuance of common shares	2,400,000	-
Net cash flow provided by (used in) financing activities	4,615,000	-
Change in cash during the period	(460,262)	713,160
Cash, beginning of period	469,311	25,287
Cash, end of period	\$ 9,049	\$ 738,447

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

## **JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)*

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#### **1. NATURE OF OPERATIONS**

JG Wealth Inc. (formerly JG Wealth Management Corporation) (the “Company”) was incorporated on November 29, 2007 under the British Corporations Act of the Province of British Columbia and its principal business activity is investing in small capital resource sector public companies. On November 24, 2017, the Company changed its name from JG Wealth Management Corporation to JG Wealth Inc.

The Company is listed on the Canadian Securities Exchange (the “CSE”) and trades under the symbol “JGW”. The head office, principal address and records office of the Company are located at 4770 – 72<sup>nd</sup> Street, Delta, BC, V4K 3N3.

#### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended September 30, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements for the three and six-month periods ended March 31, 2018 were reviewed and authorized for issue by the Board of Directors on May 29, 2018.

##### **Basis of Preparation**

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

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)*

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**(Continued)**

**Basis of Consolidation**

These condensed consolidated interim financial statements included in the accounts of the Company and its wholly owned subsidiary. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions are eliminated upon consolidation.

Entity	Incorporation	Status
1146181 B.C. Ltd.	Canada	Inactive*

*\*Inactive throughout six months ended March 31, 2018 and 2017.*

**Significant Estimates and Assumptions**

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

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

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)***2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****(Continued)****Significant Judgments**

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

**3. INVESTMENTS**

As at March 31, 2018, the Company's investments mainly comprise of common shares and share purchase warrants of public and companies which are measured at fair value. The fair values of the shares and warrants are as follows:

	March 31, 2018	September 30, 2017
Common shares	\$ 2,967,340	\$ 2,955,572
Warrants	532,615	607,616
	\$ 3,499,955	\$ 3,563,188

As at March 31, 2018, the Company's investments comprised of common shares and warrants of Canadian public companies. The cost and fair values of the investments at March 31, 2018 and September 30, 2017 are as follows:

	March 31, 2018	September 30, 2017
<u>Shares</u>		
Cost	1,728,241	2,123,825
Fair value	2,967,339	2,955,573
<u>Warrants</u>		
Cost	-	-
Fair value	532,616	607,615

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)***3. INVESTMENTS (Continued)**

	March 31, 2018	September 30, 2017
<u>Total</u>		
Cost	1,728,241	2,123,825
Fair value	3,499,955	3,563,188

The fair value of the warrants was determined using the Black-Scholes Option Pricing Model using the following weighted-average assumptions:

	March 31, 2018	September 30, 2017
Expected life of warrants (years)	1.70 - 3.58	2.71 - 4.08
Annualized volatility	187% - 1375%	187% - 230%
Risk-free interest rate	1.80% - 1.97%	1.67%
Dividend rate	0%	0%

The investments were used as security for a note payable in prior years (Note 7).

**4. NOTE RECEIVABLE**

On October 24, 2017, the Company entered into a Financing Agreement with Dragon Wave-X Canada, Inc. (“DWX”) and Transform-X Inc. whereby the Company made a secured loan of US\$4,000,000 to DWX. The principal balance plus interest of US\$400,000 was repayable on the 90<sup>th</sup> day following the date when the payment was advanced (January 22, 2018). The Company extended the loan’s repayment date to April 24, 2018 with principal US\$4,400,000 and an interest 8% per annum. The Company holds the inventory and equipment of DWX and all proceeds as collateral for the loan. As at March 31, 2018, the note receivable was comprised of principal of \$5,430,040 (US\$4,400,000) and accrued interests of \$80,705 (US\$63,649).

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)*

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**5. CONVERTIBLE DEBENTURE PAYABLE**

On November 7, 2017, the Company issued two convertible debentures with principal of \$1,560,000 (to a family member of the CEO) and \$780,000 (to a company formerly with a common director) respectively. These convertible debentures are convertible into common shares of the Company at a conversion price of \$0.50 per share (post one-to-two share split, see Note 8) at the option of the holders. These convertible debentures are unsecured, will mature one year from issuance, and carry an interest rate of 10% per annum.

The Company considers 15% to be the effective interest rate of these convertible debentures and applied this rate to obtain the fair value (\$1,942,162) of the convertible debenture at inception. The Company applied the residual method to record the fair value of the conversion option of \$397,838 to the Company's loan reserve accordingly. As at March 31, 2018, these convertible debentures had a carrying value of \$2,059,840 with accrued interests of \$92,317, totalling \$2,152,157. During the six months ended March 31, 2018, the Company incurred \$117,678 accretion expenses associated with the convertible debentures.

In April 2018, the Company made a payment of \$810,767 to the company formerly with a common director, which included repayment of principal \$780,000 and accrued interests \$30,767.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2018		September 30, 2017	
Accounts Payable	\$	95,743	\$	-
Accrued liabilities		1,650		12,600
	\$	97,393	\$	12,600

**7. NOTE PAYABLE**

During the year ended September 30, 2016, the Company entered into a loan agreement with a company related to a former director of the Company (the "Creditor") for a principal of \$125,000 with a repayment date on or before September 15, 2017. The loan bears interests at 4% per annum, and the Company used a portion of its investments as collateral for the loan (see Note 3). During the six months ended March 31, 2018, the Company repaid the principal \$125,000, and the lender waived all the accrued interests.

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)*

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**7. NOTE PAYABLE (Continued)**

On October 27, 2016, the Company entered into a loan agreement with a relative of CEO of the Company for \$45,000 with a repayment date on or before November 2, 2017. The loan bears interests at 3% per annum, and is unsecured. As at March 31, 2018, the balance outstanding including accrued interest was \$46,923. As at the report date, the loan is in default.

**8. SHARE CAPITAL****Authorized**

Unlimited number of common shares without par value.

**Share Issuances**

On November 8, 2017, the Company closed a non-brokered private placement for gross proceeds of \$2,400,000 and by the issuance of 48,000,000 common shares (post one-to-two-share split) at a price of \$0.05 per share.

**Share Split**

Effective December 13, 2017, the Company completed a split of its issued and outstanding shares on a one old share to two new shares basis (the "Share Split"). All common shares and per common share amounts reported in these condensed consolidated interim financial statements have been adjusted to reflect the Share Split.

**9. RELATED PARTY TRANSACTIONS****Transactions with Key Management and Directors**

The Company did not have transactions with management and directors for the six months ended March 31, 2018.

**Due to Related Parties**

As at March 31, 2018, the Company had a balance owing to the Company's former director of \$50,000 (September 30, 2017 - \$50,000) as a result of receiving marketable securities from the former director.

Also see Note 7.

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)*

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**9. RELATED PARTY TRANSACTIONS (Continued)****Due to Related Parties (Continued)**

Amounts due to related parties are non-interest bearing, unsecured, with no terms of repayment.

**Share Capital**

During the six months ended March 31, 2018, the Company issued convertible debentures with total value of \$2,340,000, of which \$1,560,000 was issued to a relative of the CEO.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Classification of Financial Instruments**

Financial assets included in the statement of financial position are as follows:

	March 31, 2018	September 30, 2017
Loans and receivables		
Cash	\$ 9,049	\$ 469,311
Note receivable	5,510,745	-
FVTPL		
Investments	\$ 3,499,955	\$ 3,563,188

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2018	September 30, 2017
Non-derivative financial liabilities		
Trade payables	\$ 97,393	\$ -
Convertible debenture payable	2,152,157	-
Due to related parties	50,000	121,923
Note payable	\$ 46,923	\$ 176,427

**JG WEALTH INC.**

(Formerly JG Wealth Management Corporation)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2018

*(Unaudited, in Canadian dollars)*

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)****Fair Value**

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because of the interest rates applied to measure their carrying amount approximate current market rates.

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

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

Investments consist of common shares and share purchase warrants of Canadian public companies (see Note 3). The fair value measurement of the common shares is classified as Level 1. The fair value measure of the share purchase warrants is classified as Level 3 as the fair value estimate incorporates expected future volatility which is not based on observable market data.

**11. SUBSEQUENT EVENT**

See Notes 4 and 5.