# CERVANTES CAPITAL CORP.

**Condensed Interim Financial Statements**

(Unaudited – Expressed in Canadian Dollars)

**For the six months ended May 31, 2018**

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Cervantes Capital Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

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

**CERVANTES CAPITAL CORP.**
**Condensed Interim Statements of Financial Position**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Notes | | May 31, 2018 | | November 30, 2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 2,169 | $ | 6,072 |
| GST receivable | | | 491 | | 1,950 |
| **TOTAL ASSETS** | | **$** | **2,660** | **$** | **8,022** |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 3,4 | $ | 32,014 | $ | 23,898 |
| **TOTAL LIABILITIES** | | **$** | **32,014** | **$** | **23,898** |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 5 | | 194,750 | | 194,750 |
| Deficit | | | (224,104) | | (210,626) |
| **TOTAL SHAREHOLDERS' EQUITY** | | | **(29,354)** | | **(15,876)** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **$** | **2,660** | **$** | **8,022** |

**Nature and continuance of operations** (Note 1)

Approved on behalf of the Board on July 27, 2018:

*"Joel Dumaresq"* *"Eugene Beukman"*

Joel Dumaresq, Director Eugene Beukman, Director

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

**CERVANTES CAPITAL CORP.**
**Condensed Interim Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Notes | Three months ended May 31, 2018 | Three months ended May 31, 2017 | Six months ended May 31, 2018 | Six months ended May 31 2017 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Consulting fees | 4 | $ - | $ 79,000 | $ 1,250 | $ 79,000 |
| Director fees | | - | 6,000 | - | 6,000 |
| Office and miscellaneous | | 39 | 1,817 | 65 | 1,911 |
| Professional fees (recovery) | | 1,375 | (1,650) | 2,250 | 5,172 |
| Rent | | 3,000 | - | 6,000 | - |
| Transfer Agent | | 1,314 | 3,062 | 3,913 | 4,935 |
| **Loss and comprehensive loss for the period** | | **$ (5,728)** | **$ (88,283)** | **$ (13,478)** | **$ (97,018)** |
| **Loss per share – basic and diluted** | | **$ (0.00)** | **$ (0.07)** | **$ (0.00)** | **$ (0.08)** |
| **Weighted average number of common shares outstanding** | | **7,747,600** | **1,310,100** | **7,747,600** | **1,155,567** |

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

**CERVANTES CAPITAL CORP.**
**Condensed Interim Statement of Changes in Shareholders' Equity**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | | Share capital | | | |
|---|---|---|---|---|---|
| | Note | Number of shares | Amount | Deficit | Total |
| **Balance at November 30, 2016** | | **997,600** | **$ 26,000** | **$ (33,682)** | **$ (7,682)** |
| Net loss for the period | | - | - | (97,018) | (97,018) |
| Shares issued to settle debt | | 5,750,000 | 115,000 | - | 115,000 |
| **Balance at May 31, 2017** | | **6,747,600** | **$ 141,000** | **$ (130,700)** | **$ 10,300** |
| | | | | | |
| **Balance at November 30, 2017** | | **7,747,600** | **$ 194,750** | **$ (210,626)** | **$ (15,876)** |
| Net loss for the period | | - | - | (13,478) | (13,478) |
| **Balance at May 31, 2018** | | **7,747,600** | **$ 194,750** | **$ (224,104)** | **$ (29,354)** |

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

**CERVANTES CAPITAL CORP.**
**Condensed Interim Statements of Cash Flows**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| **Six months ended** | | **May 31, 2018** | | **May 31, 2017** |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net loss for the period | $ | (13,478) | $ | (97,018) |
| Items not affecting cash: | | | | |
| Consulting fees | | - | | 79,000 |
| Director fees | | - | | 6,000 |
| Changes in non-cash working capital items: | | | | |
| Decrease (increase) in GST receivable | | 1,459 | | (445) |
| Increase (decrease) in accounts payable and accrued liabilities | | 8,116 | | (39) |
| **Cash flows used in operating activities** | | (3,903) | | (12,502) |
| **Financing Activities** | | | | |
| Loan proceeds received | | - | | 30,000 |
| Increase (decrease) in cash | | (3,903) | | 17,498 |
| Cash, beginning of period | | 6,072 | | - |
| **Cash, end of period** | **$** | **2,169** | **$** | **17,498** |

| | | | | |
|---|---|---|---|---|
| Supplemental disclosures: | | | | |
| Interest paid | | - | | - |
| Income tax paid | | - | | - |
| Shares issued to settle debt | | - | $ | 115.,000 |

Supplemental disclosure with respect to cash flows (Note 7)

## 1. Nature and continuance of operations

Cervantes Capital Corp. (the “Company”) was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company intends to be a business development services company. It plans to provide business development services to new and emerging businesses, including making introductions to accountants, lawyers, brokers, transfer agents, and various other professionals and service providers to assist companies in raising capital and going public.

The Company’s registered and records office is Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at May 31, 2018 the Company had a working capital deficiency of $29,354 and accumulated losses of $224,104. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

## 2. Significant accounting policies

***Basis of presentation and statement of compliance***

<u>Statement of Compliance</u>
These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended November 30, 2017. These financial statements have been prepared following the same accounting policies as the Company’s audited financial statements for the year ended November 30, 2017.

These financial statements were approved and authorized for issue on July 27, 2018 by the Board of Directors of the Company.

<u>Basis of Presentation</u>
These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

**2. Significant accounting policies (cont'd)**
***Basis of presentation and statement of compliance* (Cont'd)**

Comparative figures
Certain comparative figures have been reclassified to conform to the current period's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

***Significant estimates, judgments and assumptions***
The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, in applying accounting policies, apart from those involving estimates and assumptions concerning the future. The most significant judgments in applying the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty. Estimates and assumptions 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. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

***Loss per share***
Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***New accounting standards issued but not yet effective***

IFRS 9, Financial Instruments: Classification and Measurement, issued in December 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning December 1, 2018. The Company determined that there is no impact of the adoption of this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers - On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted

**(Expressed in Canadian Dollars)**

## 2. Significant accounting policies (cont'd)

***New accounting standards issued but not yet effective* (cont'd)**

IFRS 2 Share-based Payment - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provides guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has not early adopted this new standard and does not expect it to have a material effect on the Company's future results and financial operations.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 3. Accounts payable and accrued liabilities

| | | **May 31, 2018** | | November 30, 2017 |
|---|---|---|---|---|
| Accounts payable | $ | 25,764 | $ | 20,398 |
| Accrued liabilities | | 6,250 | | 3,500 |
| | **$** | **32,014** | $ | 23,898 |

Included in accounts payable are amounts totaling $18,402 (November 30, 2017 - $16,800) due to related parties (Note 4).

## 4. Related party transactions and balances

During the six-month period ended May 31, 2018, the Company incurred fees of $2,010 (2017 - $83,500) with companies controlled by former directors and officers of the Company.

As at May 31, 2018, there was $18,402 (November 30, 2017 - $16,800) included in accounts payable owing to companies controlled by individuals who are officers and directors of the Company. All the balances are unsecured, due on demand and is non-interest bearing.

## 5. Share capital

***Authorized share capital***
Unlimited number of common shares without par value.

***Issued share capital***
At May 31, 2018 there were 7,747,600 issued and fully paid common shares outstanding.

***Share issuances for the six-month period ended May 31, 2018***

There were no shares issued during the six-month period ending May 31, 2018.

***Share issuances for the year ended November 30, 2017***

On October 25, 2017, the Company issued 1,000,000 common shares with a fair value of $25,000 as a finder's fee and accounted for as a consulting fee for work done.

On May 26, 2017 the Company issued 5,750,000 common shares with a fair value of $143,750 to settle loans payable of $115,000. A resulting loss on debt settlement of $28,750 was recognized. Of this issuance, 5,600,000 common shares were issued to related parties of the Company to settle loans payable of $112,000. A resulting loss on debt settlement of $28,000 related to the shares issued to related parties.

## 6. Financial risk and capital management

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

## 6. Financial risk and capital management (cont'd)

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2018, the Company did not have any financial instruments subject to interest rate risk.

Capital Management
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## 7. Supplemental disclosures with respect to cash flows

There were no significant non-cash investing and financing activities for the period ended May 31, 2018.

During the six months ended May 31, 2017, the Company issued 5,750,000 common shares to settle loans received and accounts payable and accrued liabilities totaling $115,000.