GLENBRIAR TECHNOLOGIES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 and 2018

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF 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 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 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 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.

GLENBRIAR TECHNOLOGIES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	December 31, 2019	September 30, 2019
ASSETS		
Current assets		
Cash	$ 2,919	$ 7,461
GST receivable	-	-
	2,919	7,461
Loan receivable (Note 4)	655,000	525,000
Total assets	$ 657,919	$ 532,461
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 128,118	$ 132,653
GST liability (Note 5)	44,928	51,766
Total liabilities	173,046	184,419
Shareholders' equity (deficiency)		
Share capital (Note 6)	5,865,755	5,865,755
Subscription received	150,000	-
Deficit	(5,530,882)	(5,517,713)
Total shareholders' equity (deficiency)	484,873	348,042
Total liabilities and shareholders' equity (deficiency)	$ 657,919	$ 532,461

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent event (Note 9)

Approved and authorized on behalf of the Board of Directors on February 10, 2020.

"Douglas Taylor" Director
Douglas Taylor

"Mark Tommasi" Director
Mark Tommasi

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

GLENBRIAR TECHNOLOGIES INC.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
EXPENSES		
Consulting	$ -	$ 3,000
General and administration	576	251
Professional fees (Note 8)	8,065	11,534
Management and directors fees	-	15,000
Transfer agent and filing fees	4,528	3,695
Loss for the year	(13,169)	(33,840)
Other comprehensive income (loss)		
Change in estimate of GST liability (Note 6)	-	-
Net loss from continuing operations	(13,169)	(33,840)
Net and comprehensive income (loss) for the year	$ (13,169)	$ (33,840)
Weighted average number of common shares outstanding – basic and diluted	147,729,510	130,421,510
Basic and diluted loss per common share – continuing operations	$ (0.00)	$ (0.00)
Basic and diluted earnings (loss) per common share	$ (0.00)	$ (0.00)

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

GLENBRIAR TECHNOLOGIES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from continued operations for the year	$ (13,169)	$ (33,840)
Changes in non-cash working capital:		
GST receivable	-	(940)
Accounts payable and accrued liabilities	(4,535)	38,045
GST liability	(6,838)	-
Net cash used in operating activities	(24,542)	3,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance of loan receivable	(130,000)	-
Net cash used in investing activities	(525,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscription received	150,000	-
Loan proceeds (repayment)	-	5,000
Net cash (used in) provided by financing activities	150,000	5,000
Change in cash for the year	(4,542)	8,325
Cash, beginning of the year	7,461	3,046
Cash, end of the year	$ 2,919	$ 11,671
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

GLENBRIAR TECHNOLOGIES INC.
CONDENSED INTERTIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Capital Stock			Total
	Number	**Amount**	**Deficit**	**equity (deficiency)**
Balance as at September 30, 2017	130,421,510	$ 5,009,555	$ (5,317,888)	$ (308,333)
Dividends	-	-	(1,773,094)	(1,773,094)
Income for the year	-	-	1,694,676	1,694,676
Balance as at September 30, 2018	130,421,510	5,009,555	(5,396,306)	(386,751)
Loss for the year	-	-	(33,840)	(33,840)
Balance as at December 31, 2018	130,421,510	5,009,555	(5,429,786)	(420,231)
Private placement	17,308,000	865,400	-	865,400
Finder's fees	-	(9,200)	-	(9,200)
Loss for the year	-	-	(87,567)	(87,567)
Balance as at September 30, 2019	147,729,510	$ 5,865,755	$ (5,517,713)	$ 348,042
Subscription received	-	150,000	-	150,000
Loss for the year	-	-	(13,169)	(13,169)
Balance as at December 31, 2019	147,729,510	$ 6,015,755	$ (5,530,882)	$ 484,973

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

1. NATURE OF OPERATIONS

Glenbriar Technologies Inc. ("Glenbriar" or "Corporation") was incorporated under the Alberta Business Corporations Act on July 15, 1994. The Corporation's common shares are listed on the Canadian Securities Exchange (trading symbol; GTI.X). The Corporation's head office is located at 1780-355 Burrard Street, Vancouver, British Columbia, Canada, V6C 2G8.

On June 11, 2017, Uniserve Communications Corporation ("Uniserve") invested $800,000 for 61.3% ownership of Glenbriar. These funds were used to retire loans and other financial obligations of Glenbriar.

Effective June 30, 2017, Uniserve acquired an additional 20% of the issued and outstanding shares of Glenbriar from the directors of Glenbriar. As a result, Uniserve owned 81.3% of the issued and outstanding shares of Glenbriar as at September 30, 2017.

On October 1, 2017, Glenbriar executed an agreement to assign, sell, and transfer all of its rights, title and interest in and to all Glenbriar assets to be used or in any way connected with its conduct of business of providing information technology and software licensing, consulting, support and services (the "Business") to Uniserve. The Business was classified as a discontinued operation. See note 4.

During the year the Corporation announced it has entered into an arm's length agreement to acquire private BC based Eleos Robotics Inc. ("Eleos"). The Corporation announced a private placement of up to $1,500,000 to fund the technology development. Subsequent to year end this agreement has been terminated, note 9.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

A summary of the Corporation's significant accounting policies under IFRS is presented in note 3. These policies have been consistently applied.

2. BASIS OF PRESENTATION (continued)

Basis of measurement and going concern

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. The condensed interim financial statements have been prepared on an accrual basis except for cash flow information.

These condensed interim financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. As at December 31, 2019, the Corporation has a working capital deficiency of $170,126 (September 30, 2019 - $176,958) and has an accumulated deficit of $5,530,882 (September 30, 2019 - $5,517,713). The Corporation incurred a net loss from continuing operations during the three months ended December 31, 2019 of $13,169 (2018 – $33,480). In order to continue as a going concern, the Corporation will need to generate positive cash flows from operations or obtain additional debt or equity financing. Whether and when the Corporation can generate sufficient operating and/or financing cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2019 is uncertain. These condensed interim financial statements do not give effect to any adjustments which may be necessary should the Corporation be unable to continue as a going concern and therefore realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying financial statements. Such adjustments could be material.

Functional and presentation currency

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

Use of estimates and judgements

The preparation of the Corporation's condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses and other income (loss) from continuing operations and income (loss) from discontinued operations during the periods presented. Estimates and judgements 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 results could differ from the estimates.

The following discussion sets forth management's most critical estimates and assumptions in determining the carrying amounts of assets, liabilities and equity (deficiency):

Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment. Factors considered by management are disclosed above.

Income taxes

The measurement of income taxes requires management to make judgements in the interpretation and application of relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. The availability of tax pools is subject to audit and interpretation by taxation authorities. There are no current or deferred income taxes recognized in the financial statements as disclosed in note 9 and management estimates that these items have been fairly valued.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit with banks and short-term deposits with initial maturities of three months or less. The Corporation did not have any cash equivalents as at September 30, 2019 or 2018.

Impairment of non-financial assets

At each reporting date, the Corporation's non-financial assets are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statements of comprehensive income (loss).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is based on the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows to be derived from the asset in its current state are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior periods.

Income taxes

Income taxes are comprised of current and deferred taxes. Income tax expense (recovery) is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). Current taxes are the expected taxes payable on the taxable income for the period plus any adjustment to taxes payable in respect of previous periods. Deferred taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences including carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred taxes are not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net income (loss) per common share

The Corporation follows the treasury stock method to determine the dilutive effect of stock options or other potentially dilutive instruments. Under this method, basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional incremental common shares that would have been outstanding for any potentially dilutive stock options or other instruments were exercised for common shares using the treasury stock method. Diluted loss per share is equal to basic loss per share, as the effect of potentially dilutive stock options or other instruments would be anti-dilutive to the calculation. There were no equity instruments that could potentially dilute basic income (loss) per share at September 30, 2019 or 2018.

Share capital

When units are issued, which include shares and warrants, the warrants are valued using the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price on the announcement date, and the balance, if any, to contributed surplus.

(i) Share issue costs

Share issue costs that are directly attributable to issuing new shares are deducted from equity.

Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in profit or loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

(ii) Equity instruments issued as consideration

Other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the quoted trading price of those shares on the date of grant to issue shares as determined by the Board of Directors.

Provisions and contingencies

A provision is recognized on the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision was recorded for the GST liability as at December 31, 2019 and 2018 (note 6).

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the rate of exchange in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are recorded at rates of exchange in effect at the statement of financial position date and any resulting gains or losses are recorded in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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. Financial assets and liabilities are offset and the net amount is 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.

Financial assets

The Corporation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Corporation's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At initial recognition, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Corporation classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method. The effective interest method is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period. Cash is classified in this category.

Fair value through OCI (FVOCI): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest method. The Corporation has no assets classified in this category.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net in the statement of loss and comprehensive loss in the period in which it arises. The Corporation has no assets classified in this category.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred.

The fair value changes to financial liabilities at FVTPL are presented as follows: where the Corporation optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Corporation does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Corporation classifies accounts payable and accrued liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

Assets held for sale and discontinued operations

The Corporation classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Corporation must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Corporation measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro- rata basis, except that no loss is allocated to inventories or financial assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying asset or disposal groups as held for sale, the Corporation presents the assets separately as a single amount and the associated liabilities separately as a single amount on the statement of financial position. The comparative period statements of financial position are not restated. Assets held for sale are not depreciated, depleted, or amortized.

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Corporation, both operationally and for financial reporting purposes.

When the Corporation classifies an operation as a discontinued operation, it re-presents the comparative statements of income and comprehensive income as if the operation had been discontinued from the start of the comparative year. In doing this, the Corporation excludes the results for the discontinued operations and any gain or loss from disposal from the statements of income and comprehensive income from continuing operations and presents them on a separate line as income or loss (net of tax) from the discontinued operation. Per share information and changes to other comprehensive income (loss) related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the statement of cash flows.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

IFRS 9 – Financial instruments

The Corporation adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning September 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not impact the carrying amounts of any of the Corporation's financial instruments on the transition date. The classification of financial instruments under IAS 39 and now under IFRS 9 are as follows:

Financial Instrument	**IAS 39**	**IFRS 9**
Cash	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost

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.

The adoption of IFRS 15 did not have any impact on the financial statements as the Corporation had no revenue since inception.

Recent accounting pronouncements not yet adopted

For annual periods beginning on or after January 1, 2019:

IFRS 16, "Leases" specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, and lessor accounting is substantially unchanged from IAS 17. Upon adoption, a lessee shall either apply IFRS 16 with full retrospective effect, or alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity. Early adoption is permitted if IFRS 15 is also adopted.

Adoption of this standard is not expected to have a significant impact on the Corporation's financial statements.

(Expressed in Canadian Dollars)

4. LOAN RECEIVABLE

During the year ended September 30, 2019, the Corporation advanced $525,000 to Eleos, pursuant to the terms of the arm's length agreement (note 1). During three month ended December 31, 2019 the Corporation advanced a further $130,000. The loan bears interest at 10% per annum, waived for the first 18 months, calculated and compounded semi-annually on unpaid principal and interest balance from the date of the advance until the loan is repaid in full. The loan is secured by a general security agreement, including technology patents, and is repayable on February 26, 2020. A termination agreement was reached January 27, 2020 (note 9).

5. GST LIABILITY

During the year ended September 30, 2018, the Corporation received notice from the Canada Revenue Agency ("CRA") that the Corporation's GST claims from October 2014 to August 2017 were denied. As a result of CRA's assessment, they are requesting the Corporation repay all refunds received. As a result of the CRA's notice, at September 30, 2018 the Corporation recognized a liability of $272,366, which represents the full amount of GST refunds to be repaid including interest. The Corporation appealed the CRA notice during fiscal 2019 and was successful in having the liability reduced to $51,766, offset by current GST receivable of $12,123. During three months ended December 31, 2019, this amount has been reduced further to $44,928 by a $5,000 payment and the first quarter GST tax credits 1,838.

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares of one or more series

b) Common shares issued and outstanding

	Number of shares		Amount
Balance, September 30 and December 31, 2018	130,421,510	$	5,009,555
Private placement	17,308,000		865,400
Issuance costs	-		(9,200)
Balance, September 30, 2019	147,729,510	$	5,865,755
Subscription received	-		150,000
Balance, December 31, 2019	147,729,510	$	6,015,755

During the year ended September 30, 2019 the Corporation announced a private placement financing of up to $1,500,000 by issuance of units at $0.05. Each unit is to be comprised of one common share and one warrant to purchase a common share with an exercise price of $0.10 in the first year and $0.15 in the second year. The terms of the financing provide that the units will not be adjusted for the 2 for 1 consolidation that has been proposed but not yet completed.

The first tranche raised $429,700 through the issuance of 8,594,000 units. Units were priced at $0.05 each, with each unit consisting of one share and one warrant exercisable for 2 years from closing at an exercise price of $0.10 in the first year and $0.15 in the second year. No finder fees were paid on this tranche.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

The second tranche raised $435,700 through the issuance of 8,714,000 units. Units were priced at $0.05 each, with each unit consisting of one share and one warrant exercisable for 2 years from closing at an exercise price of $0.10 in the first year and $0.15 in the second year. Cash finder's fees of $9,200 were paid and 184,000 finder's warrants, valued at $Nil, were issued on this tranche.

During the three months ended December 31, 2019 the Corporation receiver $150,000 subscription amount for third trance.

c) *Warrants*

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of warrants	**Weighted average exercise price**
Outstanding September 30 and December 31, 2018	-	-
Granted	17,492,000	0.10
Outstanding September 30 and December 31, 2019	17,492,000	0.10

Finder's warrants granted during the year ended September 30, 2019 were valued at $Nil calculated using the Black-Scholes Option Pricing Model using the following assumptions: share price: $0.01; expected volatility: 100%, expected life: 2 years, dividend yield rate: 0%, and risk-free interest rate: 1.38%.

Warrants outstanding at December 31, 2019 are as follows:

Number of warrants	**Exercise price**	**Grant date**	**Expiry date**
8,594,000	$0.10 *	April 30, 2019	April 30, 2021
8,898,000	$0.10 *	June 6, 2019	June 6, 2021
17,492,000	$0.10		

*$0.10 in year 1 and $0.15 in year 2

d) *Dividend*

During the three months ended December 31, 2019 and 2018, no dividends were declared.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk complies with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value of financial instruments

The Corporation's financial instruments are comprised of cash, loan receivable, accounts payable and accrued liabilities, and loans payable. The carrying values of the Corporation's cash, accounts payable and accrued liabilities, and loan payable, approximate their respective fair values due to their short term to maturity.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

- Level 2 reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 reflects valuation techniques with significant unobservable market inputs.

Credit risk

Credit risk is the risk of potential loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is limited to the carrying value of its financial instruments shown on the statements of financial position and arises from the Corporation's cash. As cash is held in a reputable financial institution, credit risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations as they become due. For the three month ended December 31, 2019, the Corporation had a net loss from continuing operations of $13,169, cash used in operating activities of $(24,542), and at December 31, 2019 has a working capital deficiency of $170,126.

Management believes that the Corporation will require funding from shareholder advances or equity financings in order to satisfy its current and future obligations. The Corporation is assessing various options to raise funding.

A contractual maturity analysis of the Corporation's financial liabilities is as follows:

Financial liabilities	2019	2020	Total
Accounts payable and accrued liabilities	$ 128,118	$ -	$ 128,118
GST liability	44,928	-	44,928
	$ 173,045	$ -	$ 173,045

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risk. It is management's opinion that the Corporation is not subject to significant other price risk.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. It is management's opinion that the Corporation is not subject to significant interest risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As at and during the three months ended December 31, 2019 and 2018, the Corporation had no material transactions or balances denominated in a foreign currency, as such, the Corporation has no material exposure to foreign exchange risk.

Capital management

The Corporation's goal is to develop a strong capital base to meet its growth objectives, while maintaining the ability to fulfill its financial obligations, finance internal growth and fund potential acquisitions. The Corporation may berequired to seek additional equity or debt financing, reduce its operations or to limit its growth to maintain liquidity. The Corporation does not have adequate surplus capital on hand to establish and implement a robust marketing and sales program or to make strategic acquisitions. Accordingly, the Corporation may reasonably be expected to issue additional equity or obtain more debt to achieve the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative future events.

The Corporation's capital consists of the Corporation's shareholders' equity and debt that it may issue. The Corporation's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented. The Corporation's capital is not subject to any external restriction.

8. RELATED PARTY TRANSACTIONS

Parties are considered related if on party has the ability, directly or indirectly, to control the other party or have significant influence over the other party by making financial or operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management includes officers and directors.

General and administrative expenses include remuneration of the key management personnel, which includes senior management, directors and officers of the Corporation. For the three months ended December 31, 2019, remuneration of $Nil related to salaries, benefits and cash-based compensation for key management personnel. Total salaries and benefits, including amounts included in cost of services, general and administrative, sales and marketing, and property and equipment, were $Nil.

As at December 31, 2019, accounts payable and accrued liabilities included $13,942 (December 31, 2018 - $70,463) due to key management personnel.

9. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the parties have decided to terminate the proposed reverse take-over of the Corporation by the Eleos shareholders. In its stead, the Corporation has acquired 18% of Eleos, represented by 744,691 common non-voting shares of Eleos, in return for the cumulative $655,000 in advances made to the date of termination. The Corporation also has rights of first refusal in respect to future financings, and Eleos will repay $40,000 of out of pocket expenses the Corporation has incurred.