Advanced Bioceuticals Limited LLC

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Advanced Bioceuticals Limited LLC.

Opinion

We have audited the accompanying consolidated financial statements of Advanced Bioceuticals Limited. LLC. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company 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 as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Change in Accounting Policies

We draw attention to Note 15 of the consolidated financial statements, which describes the effects of the change in currency in which the Company presents its consolidated financial statements in 2018 from U.S dollars to Canadian dollars. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Transition to IFRS and Restatement

We draw attention to Note 16 of the consolidated financial statements, which describes the effects of the transition to IFRS and restatement of the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholder's deficiency for the year then ended. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Alden Aumann.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
July 15, 2020

Advanced Bioceuticals Limited LLC
Consolidated Statements of Financial Position

Expressed in Canadian Dollars

	Note	December 31, 2018	December 31, 2017	January 1, 2017
		$	$	$
Current assets				
Cash		**140,247**	3,820	21,068
Accounts receivable, net		**491,203**	709,086	265,467
Other receivable		**-**	131,435	46,186
Due from related parties	10	**10,122**	-	-
		641,572	844,341	332,721
Non-current assets				
Property and equipment	5	**37,899**	64,899	101,620
Deposit		**7,573**	6,964	7,453
Total assets		**687,044**	916,204	441,794
Current liabilities				
Accounts payable and accrued liabilities		**443,934**	245,423	466,100
Factoring agreements payable	7	**287,195**	421,123	599,741
Due to related parties	10	**442,043**	448,629	-
Payable to shareholders	8	**409,260**	-	-
Notes payable, current portion	6	**1,631,646**	1,220,462	74,579
		3,214,078	2,335,637	1,140,420
Non-current liabilities				
Notes payable	6	**1,295,990**	-	335,675
		4,510,068	2,335,637	1,476,095
Shareholders' deficiency				
Share capital	9	**2,685**	2,685	2,685
Deficit		**(3,640,509)**	(1,475,498)	(1,006,498)
Accumulated other comprehensive income (loss)		**(185,200)**	53,380	(30,488)
		(3,823,024)	(1,419,433)	(1,034,301)
Total liabilities and shareholders' deficiency		**687,044**	916,204	441,794

Nature of operations and going concern (note 1)
Commitment and contingencies (note 11)
Subsequent events (note 17)

Approved on Behalf of the Board of Directors:

(signed) *Michael Semler*   (signed) *Jordan Erskine*

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

Advanced Bioceuticals Limited LLC
Consolidated Statements of Comprehensive Loss

Expressed in Canadian Dollars

	Note	For the Years Ended December 31, 2018	2017
		$	$
Revenue		**3,378,279**	3,208,176
Cost of sales		**984,241**	600,306
		2,394,038	2,607,870
Expenses			
Interest accretion on notes and factoring agreements payable	6	**5,781**	156,762
Automotive		**3,263**	21,545
Bad debts		**135,752**	10,623
Bank charges		**13,742**	41,150
Billing service	10	**-**	106,390
Consulting	10	**557,910**	904,306
Depreciation		**31,035**	31,101
Management fees	10	**1,465,437**	-
Marketing and promotion	10	**723,796**	827,659
Office and miscellaneous		**108,043**	98,552
Professional service		**288,973**	276,934
Rent		**144,341**	90,205
Shipping and handling	10	**10,951**	148,527
Travel		**2,731**	7,322
Wages and benefits	10	**414,882**	383,470
		3,906,637	**3,104,546**
Loss before other items		**(1,512,599)**	(496,676)
Other items			
Third party billing service income		**-**	218,992
Loss on debt extinguishment	6	**(382,929)**	-
Interest expense	6	**(270,146)**	(191,320)
Other income		**663**	4
Other items		**(652,412)**	27,676
Net loss		**(2,165,011)**	(469,000)
Other comprehensive income (loss)			
Foreign currency translation adjustment		**(238,580)**	83,868
Net loss and comprehensive loss		**(2,403,591)**	(385,132)
Loss per share - basic and diluted		**$ (12,018)**	$ (1,926)
Weighted average number of common shares outstanding		**200**	200

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

Advanced Bioceuticals Limited LLC
Consolidated Statements of Changes in Shareholders' Deficiency

Expressed in Canadian Dollars

	Share capital				
	Number of shares	Amount	Deficit	Accumulated other comprehensive income (loss)	Total
		$	$	$	$
Balance, January 1, 2017	200	2,685	(1,006,498)	(30,488)	(1,034,301)
Net loss for the year			(469,000)		(469,000)
Foreign currency translation adjustment	-	-		83,868	83,868
Balance, December 31, 2017	200	2,685	(1,475,498)	53,380	(1,419,433)
		-			
Balance, December 31, 2017	200	2,685	(1,475,498)	53,380	(1,419,433)
Net loss for the year	-	-	(2,165,011)		(2,165,011)
Foreign currency translation adjustment	-	-		(238,580)	(238,580)
Balance, December 31, 2018	**200**	**2,685**	**(3,640,509)**	**(185,200)**	**(3,823,024)**

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

Advanced Bioceuticals Limited LLC
Consolidated Statements of Cash Flows

Expressed in Canadian Dollars

	For the Years Ended December 31,	
	2018	**2017**
	$	**$**
Operating activities		
Net loss for the year	**(2,165,011)**	(469,000)
Interest accretion on notes and factoring agreements payable	**5,781**	156,762
Accrued interest	**235,041**	220,815
Bad debt	**135,752**	10,623
Depreciation	**31,035**	31,101
Loss on debt extinguishment	**382,929**	-
	(1,374,473)	(49,699)
Changes in non-cash working capital items:		
Accounts receivable, net	**265,835**	(487,888)
Other receivable	**-**	(91,386)
Due from related parties	**(9,614)**	-
Due to related parties	**(43,516)**	464,400
Accounts payable and accrued liabilities	**168,160**	(196,740)
Cash used in operating activities	**(993,608)**	(361,313)
Financing activities		
Proceeds from notes payable	**1,425,270**	649,300
Repayment of notes payable	**(528,933)**	(3,530)
Proceeds from factoring agreemets	**-**	320,296
Repayment of factoring agreements	**(162,179)**	(621,174)
Proceeds from payable to shareholders	**388,710**	-
Cash provided by financing activities	**1,122,868**	344,892
Increase (decrease) in cash	**129,260**	(16,421)
Effect of foreign currency translation	**7,167**	(827)
Cash - beginning of year	**3,820**	21,068
Cash - end of year	**140,247**	3,820
Supplemental cash disclosures		
Interest paid	**(28,625)**	-
Income tax paid	**-**	-

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

1. Nature of operations and going concern

Advanced Bioceuticals Limited LLC (the "Company" or "ABL") was incorporated in the State of New Jersey on January 31, 2018.

On February 1, 2018 the Company entered into a stock purchase agreement with Pro-Thotics Technology Inc. ("PTI"), whereby the Company acquired 100% of PTI's issued and outstanding shares in exchange for 100% of the Company's membership units ("Acquisition"), making PTI a wholly owned subsidiary of the Company. PTI is a durable medical equipment ("DME") company that provides braces and orthotic products to patients throughout the United States via clinician services and mail delivery business.

The Acquisition has been accounted for as a common control transaction, as the Company and PTI were both controlled by the same parties at the time of the Acquisition. The historical operations, assets and liabilities of PTI are included as the comparative figures as at and for the year ended December 31, 2017, which is deemed to be the continuing entity for financial reporting purposes.

Upon the completion of the acquisition, the Company had no assets and liabilities. The accompanying consolidated financial statements give effect to the Acquisition of ABL on February 1, 2018, and the accompanying consolidated financial statements report results of operations, changes in shareholders' deficiency and cash flows during the year in which the Acquisition occurred as though the Acquisition had occurred at the beginning of the year.

These consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and settlement of obligations in the normal course of business. During the year ended December 31, 2018, the Company incurred a net loss totalling $2,165,011 and as at December 31, 2018, the Company has a working capital deficiency of $2,572,506. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations is dependent upon its ability to restructure its debt and raise financing. Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future and that such funds will be available on terms acceptable by the Company. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

2. Statement of compliance

These consolidated 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 International Financial Reporting Committee ("IFRIC"). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Company is provided in Note 16. This note includes reconciliations of equity and comprehensive loss of the comparative year and of equity at the date of transition reported under accounting principles generally accepted in the United States of America ("US GAAP") to IFRS.

These consolidated financial statements have been authorized for release by the Company's Board of Directors on July 15, 2020.

3. Significant accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4.

The functional currency of the Company and its subsidiary is the US dollar. With effect from January 1, 2018, the Company changed the currency in which it presents its consolidated financial statements from US dollar to Canadian dollar. The change in accounting policy impacts all financial statement line items whereby amounts previously reported in US dollar have been re-presented in Canadian dollar. To illustrate the effect of the re-presentation the previously reported US dollar consolidated statements of financial position as at December 31, 2017, consolidated statements of comprehensive loss and comprehensive loss and consolidated statements of cash flows for the year ended December 31, 2017 have been set out in Note 15.

(b) Consolidation

These consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, PTI. All intercompany transactions and balances are eliminated on consolidation.

(c) Foreign currency transactions and translation

Transactions in currencies other than the functional currency of the reporting entity are recorded at rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

Financial statements of the Company prepared under its functional currency are translated into Canadian dollars for consolidation purposes. Amounts are translated using the current rates of exchange for assets and liabilities and using the average rates of exchange for the period for revenues and expenses. Gains and losses resulting from translation adjustments are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' deficiency, described as foreign currency translation adjustment. In the event of a reduction of the Company's net investment in its foreign operations, the portion of accumulated other comprehensive income related to the reduction is realized and recognized in net income (loss).

(d) Common control transactions

Where business combinations include transactions among entities under common control and outside the scope of IFRS 3 – *Business Combinations*, the Company considered the guidance provided by IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* and applied predecessor accounting. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory.

Assets acquired or liabilities assumed are not restated to their fair values. Instead, the acquirer incorporates the carrying amounts of assets and liabilities of the acquired entity and no goodwill arises. The difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity as of the date of acquisition is included as acquisition reserve in equity.

3. Significant accounting policies – continued

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit and term deposits with banks with maturities of 90 days or less at inception. The Company does not have any cash equivalents as at December 31, 2018 and 2017.

(f) Accounts receivable

Accounts receivable is stated net of the allowance for doubtful accounts and insurance discounts and adjustments. The Company estimates the allowance based upon a review of outstanding receivables and historical collection information by insurance company and customer. Accounts receivable are written- off when they are determined to be uncollectible.

As of December 31, 2018, an allowance for doubtful accounts and insurance discounts and adjustments has been established amounting to $2,056,631(2017 - $83,192).

(g) Property and equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over seven years for furniture and fixtures. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvement or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

(i) Debt issuance costs

Debt issue costs are recognized in connection with proposed financing transactions which are specifically identified in that the form of debt issuances is known and completion of the financing is probable. When the financing is completed, these costs are recognized and netted against the value of the debt for debt transactions. The debt is subsequently accreted to face value at maturity. The accretion amounts are included in interest and bank charges expense over the life of the debt. Debt issue costs include only those costs which are incremental and directly attributable to the proposed financing transaction. In the event that the transaction is abandoned, previously capitalized debt issue costs are expensed through the consolidated statement of comprehensive loss.

(h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units.

(j) Earnings (loss) per share

The calculation of earnings (loss) per share is based on the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share is calculated whereby all “in the money” stock options and warrants are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. If the Company incurs net losses during the period, basic and diluted loss per share are the same as the exercise of options and warrants is considered to be anti-dilutive.

3. Significant accounting policies – continued

(k) Revenue recognition

The Company derives revenue primarily from the sale of durable medical equipment.

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*. The new accounting guidance establishes principles for recognizing revenue upon the transfer of control of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company recognizes revenue from sales of durable medical equipment once customers take control of the products at the designated delivery points. Net sales on the accompanying consolidated statements of comprehensive loss are reported net of insurance discounts and adjustments which amounted to $1,953,362 for year ended December 31, 2018.

The Company adopted this new guidance using the modified retrospective method. Contracts completed prior to January 1, 2018 were accounted for in accordance with IAS 18, *Revenue*. Revenue from sales of durable medical equipment were recognized when persuasive evidence of an arrangement exists, delivery has occurred, the amount is fixed and determinable, risk of ownership has passed to the customer and collection is reasonably assured. Typically, these criteria are met and the Company recognizes revenue upon delivery of the Company's products to customers. Net sales on the accompanying consolidated statements of comprehensive loss are reported net of insurance discounts and adjustments which amounted to $85,924 for year ended December 31, 2017.

Some of the Company's sales programs allow customers limited product return rights. Management estimates potential future product returns and exchanges and reduces current period product revenue. Actual returns may vary from estimates if the Company experiences a change in actual sales, returns or exchange patterns due to unanticipated changes in products, or competitive and economic conditions. There was no allowance for product returns as of December 31, 2018 and 2017.

(l) Income taxes

As a limited liability company, the Company is subject to certain minimal taxes and fees; however, income taxes on income or loss reported by the Company are the obligation of the members. The Company's wholly owned subsidiary, PTI, was treated as a S-Corporation for income tax purposes and changed to C- Corporation on April 1, 2018.

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting loss nor taxable loss and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it does not recognize the asset.

3. Significant accounting policies – continued

(l) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Financial instruments

(i) Recognition and initial measurement

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value net of transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, FVOCI, or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies - continued

(i) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of comprehensive loss. The Company's cash is measured at FVTPL.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of comprehensive loss. The Company's accounts receivable, other receivable and due from related parties are measured at amortized cost.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of comprehensive loss. The Company does not have any assets classified as debt investments at FVOCI.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of comprehensive loss. The Company does not have any assets classified as equity investments at FVOCI.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive loss. The Company's accounts payable, merchant cash advances, due to related parties, other payable and notes payable are measured at amortized cost.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

3. Significant accounting policies - continued

(i) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of comprehensive loss, unless the transaction involves a creditor that is also a direct or indirect shareholder of the Company that is also acting in its capacity as such, in which case the difference is recognized in the consolidated statement of equity.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.(v) Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end using expected credit loss ("ECL") model. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding account receivables, is directly reduced by the impairment loss. The carrying amount of account receivable is reduced through the use of an allowance account. When account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Significant accounting policies - continued

(m) Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) Impairment of Long-lived Assets

Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(o) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. 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.

(p) Accounting standards adopted during the period

The Company has adopted the following new standards, along with any consequential amendments effective January 1, 2018.

- IFRS 9, "*Financial Instruments*" is effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

(Expressed in Canadian Dollars)

3. Significant accounting policies – continued

(p) Accounting standards adopted during the period (continued)

The Company adopted IFRS 9 retrospectively, without restatement of prior year consolidated financial statements. The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or liabilities on the date of transition. The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

Financial instrument	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Other receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Factoring agreements payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

- IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a comprehensive five-step model framework for the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

  There was no significant impact on the Company's consolidated financial statements from the adoption of IFRS 15.

(q) Accounting standards and amendments issued but not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been early adopted in preparing these consolidated financial statements.

- IFRS 16 replaces IAS 17, "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The Company will be adopting the standard retrospectively by recognizing the cumulative impact of initial adoption in opening retained earnings. The Company will measure the right-of-use asset at an amount equal to the lease liability on January 1, 2019, apply a single discount rate to leases with similar remaining lease terms for similar classes of underlying assets. The Company will elect not to recognize right - of- use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

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 consolidated financial statements.

4. Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following areas where significant judgments, estimates and assumptions are made, where actual results may differ from these estimates and this may materially affect the Company's financial results or consolidated statement of financial position in future periods.

Significant areas requiring the use of management estimates include the valuation of warrants and share-based payments, recognition of deferred income tax assets, and useful lives for depreciation of property and equipment, and provisions for uncollectible receivables.

Significant areas requiring management judgement include:

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

Utilization of deferred income tax assets

Deferred tax assets require management judgement in order to determine the amounts to be recognized and the likelihood that there will be future taxable income for which the deferred tax assets can be utilized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

Impairment assessment of accounts receivable and other receivable

Application of the factors of impairment to the facts and circumstances pertaining to the accounts receivable requires a significant amount of management judgement.

(Expressed in Canadian Dollars)

5. Property and equipment

	Furniture and Fixtures	Leasehold Improvements	Total
Cost	**$**	**$**	**$**
Balance, January 1, 2017	16,247	169,786	186,033
Foreign currency translation adjustment	(1,068)	(11,153)	(12,221)
Balance, December 31, 2017	15,179	158,633	173,812
Foreign currency translation adjustment	1,328	13,871	15,199
Balance, December 31, 2018	16,507	172,504	189,011
Accumulated depreciation			
Balance, January 1, 2017	(16,247)	(68,166)	(84,413)
Addition	-	(31,101)	(31,101)
Foreign currency translation adjustment	1,068	5,533	6,601
Balance, December 31, 2017	(15,179)	(93,734)	(108,913)
Addition	-	(31,035)	(31,035)
Foreign currency translation adjustment	(1,328)	(9,836)	(11,164)
Balance, December 31, 2018	(16,507)	(134,605)	(151,112)
Net book value			
As at January 1, 2017	-	101,620	101,620
As at December 31, 2017	-	64,899	64,899
As at December 31, 2018	-	37,899	37,899

(Expressed in Canadian Dollars)

6. Notes Payable

The following table summarizes note payable activity for the years ended December 31, 2018 and 2017:

	Related parties	**Madison, LLC**	**Total**
	$	**$**	**$**
Balance, December 31, 2016	410,254	-	410,254
Addition	-	649,300	649,300
Accrued interest	158,802	32,518	191,320
Principal payments	(3,530)	-	(3,530)
Foreign currency translation adjustment	(3,728)	(23,154)	(26,882)
Balance and current portion, December 31, 2017	561,798	658,664	1,220,462
Addition	-	-	-
Refinance	1,425,270	-	1,425,270
Accrued interest	156,039	107,627	263,666
Principal payments	(205,008)	(323,925)	(530,117)
Interest payments	(28,625)	-	(28,625)
Loss on debt extinguishment	-	382,929	382,929
Interest accretion	-	5,781	5,781
Foreign currency translation adjustment	160,225	26,861	188,270
Balance, December 31, 2018	2,069,699	857,937	2,927,636
Current Portion	773,709	857,937	1,631,646
Long-term	1,295,990	-	1,295,990

Related party notes payable

On March 20, 2013, PTI entered into a promissory note agreement with a family member of the president of PTI for an original amount of $163,704 (USD $120,000). The promissory note is unsecured, bears interest at a rate of 5% per annum, payable in monthly installments of USD $2,764 with a final payment due March 1, 2017. As of December 31, 2017, the outstanding balance on the promissory note was $10,314 (USD $8,222). The promissory note was fully paid off during the year ended December 31, 2018. Interest expense for the year ended December 31, 2018 amounted to $555 (2017 - $ 2,970). Accrued interest was $4,551 as of December 31, 2018 (2017 - $ 31,363).

On August 18, 2016, PTI entered into a promissory note agreement with the Chief Financial Officer of the Company for an original amount of $341,050 (USD $250,000). The note bears interest at a rate of 4% per month and had an original maturity date of October 18, 2016. In December 2017, the maturity date was extended to January 31, 2018, and In January 2018, the maturity date was further extended to May 17, 2018. As of December 31, 2018, outstanding balance on the promissory note was $ 341,050 (USD$250,000) and the promissory note was in default. As of December 31, 2017, the outstanding balance on the promissory note was $ 313,625 (USD$250,000). Interest expense for the year ended December 31, 2018 amounted to $155,484 (2017 - $ 155,832). Accrued interest was $388,257 as of December 31, 2018 (2017 - $ 206,496).

On November 30, 2018, the Company entered into a promissory note agreement with National Brace, a related party under common ownership under which, $1,500,620 (USD $1,100,000) of the outstanding balance due to National Brace, was refinanced to a long term obligation due on May 31, 2020. The note is unsecured and bears no interest. As of December 31, 2018, outstanding balance on the promissory note was $1,295,990 (USD $950,000) (2017 - $Nil).

6. Notes Payable – continued

Madison, LLC

On July 7, 2017, PTI entered into a secured promissory note agreement with a Madison, LLC (the "Lender") for borrowing up to $682,100 (USD $500,000). The note bears interest at a rate of 12% per annum and is secured by the Company's accounts receivable. In the event of default, the note bears interest at a rate of 18% per annum. All unpaid principal and interest were due in full on July 6, 2018. On February 8, 2018, PTI entered into an amended and renewed promissory note agreement ("First Amendment") with the Lender. Under the First Amendment, the remaining unpaid principal of $682,100 (USD $500,000) was increased to $954,940 (USD $700,000) and payable as follows: $68,210 (USD $50,000) on March 1, 2018, $102,315 (USD $75,000) on April 1, 2018, $170,525 (USD $125,000) on May 1, 2018, $272,840 (USD $200,000) on June 1, 2018 and $341,050 (USD $250,000) plus all accrued interest on July 1, 2018. The Company determined that the First Amendment represented substantial modifications of the financial liabilities under IFRS 9, as the respective differences between the net present value of the cash flows under the modified terms exceeded 10 percent different from the net present value of the remaining cash flows of the note prior to the modification, both discounted at the original effective interest rate. The resulting difference of $259,140 is recognized in the consolidated statement of loss and comprehensive loss. On July 6, 2018, PTI entered into a second amended and renewed promissory note agreement ("Second Amendment") with the Lender pursuant to which the lender waived the late fees incurred by PTI and continued to allow interest to accrue at a rate of 12% per annum instead of at the default rate, and extended the maturity date of the note to October 15, 2018 with a modified repayment schedule in consideration of a fee of $136,420 (USD $100,000) (the "Extension Fee") in free-trade shares (the "Shares") of Nass Valley Gateway Ltd ("Nass Valley"). If the Shares are not publicly trading on or before July 31, 2018, the Extension Fee shall be paid on July 31, 2018. Under the Second Amendment, the remaining unpaid principal of $613,890 (USD $450,000) and interest shall be due and payable as follows: $68,210 (USD $50,000) on July 31, 2018, $68,210 (USD $50,000) on August 30, 2018, $68,210 (USD $50,000) on September 30, 2018 and $409,260 (USD $300,000) plus all accrued interest on October 31, 2018. The Company determined that the Second Amendment represented substantial modifications of the financial liabilities under IFRS 9, as the respective differences between the net present value of the cash flows under the modified terms exceeded 10 percent different from the net present value of the remaining cash flows of the note prior to the modification, both discounted at the original effective interest rate. The resulting different of $123,789 is recognized in the consolidated statement of loss and comprehensive loss. As of December 31, 2018, outstanding balance and Extension Fee on the note was $750,310 (USD $550,000), and the promissory note was in default. As of December 31, 2017, outstanding balance and Extension Fee on the note was $627,250 (USD $500,000). Interest expense for the year ended December 31, 2018 amounted to $107,627 (2017 - $ 32,518). Accrued interest was $147,478 as of December 31, 2018 (2017 - $ 31,414).

7. Factoring agreements payable

PTI entered into various sales of accounts receivable under factoring agreements for cash. These factoring agreements are short term in nature with repayment terms ranging from 120 to 300 days, and are repayable by fixed daily payments until the agreed balance has been remitted. During the year ended December 31, 2017, the proceeds from these agreements was $320,296, net of $4,484 of related fees, and the resulting discount from these factoring agreements was $156,762. The discount amount is treated as a financing cost and is accounted to the fair value of the accounts sold such that the liability reflects the agreed amount payable at the due date. As of December 31, 2018, balance due under these factoring agreements was $287,195 (2017 - $421,123). The December 31, 2018 balance of $287,195 was overdue as of June 30, 2017.

8. Payable to shareholders

On March 27, 2018, the Company received $204,630 (USD $150,000) from a shareholder bearing interest at 10% per annum for a term of 120 days

On November 2, 2018, the Company received proceeds of $204,630 (USD $150,000) from a shareholder. The amount is non-interest bearing.

(Expressed in Canadian Dollars)

9. Share Capital

(a) Authorized share capital

The authorized share capital of the Company consists of 200 common shares without par value.

(b) Issued share capital

As at December 31, 2018, the issued and outstanding common shares were 200. There was no share capital activity for the years ended December 31, 2018 and 2017.

10. Related party transactions and balances

Key management personnel compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Amounts due to key management personnel are unsecured, non-interest bearing and have no specific terms of repayment.

Details of key management personnel compensation are as follows:

Years ended December 31,		**2018**		**2017**
Services provided:				
Salaries	$	310,968	$	-
Management fees (a)		1,465,437		-
Consulting fees (b) (c) (d)		557,910		900,410
Adverting and promotions(a) (b)		-		590,494
Billing service (a)		-		106,390
Shipping and handling(a)		-		126,802
Key management personnel compensation	$	2,334,315	$	1,724,097

As at December 31,		**2018**		**2017**
Balances payable to key management personnel (a) (c)	$	442,043	$	448,631

(a) PTI entered into a management services agreement with National Brace, a related party under common ownership. Pursuant to the agreement, National Brace provides certain management services, including but not limited to, receiving and reviewing prescriptions for DME, checking patient insurance benefits, communicating with prescribing physicians and/or patients and arranging the shipping of the prescribed products. Management fees under the agreement equal to $28,181 (USD $21,750) per week. In addition, PTI reimburses National Brace for the full cost of the services provided. During the year ended December 31, 2018, management fees under the agreement totaled $1,465,437 (2017 - $ Nil).

During the year ended December 31, 2017 PTI incurred marketing and promotions expense, shipping and handing expense and billing service expense charged by National Brace totaled $428,528, $126,802 and $106,390 respectively. During the year ended December 31, 2018, no such expenses were incurred.

As of December 31, 2018 the total amount owed to National Brace was $64,108 (2017- $267,056), which is included in due to related companies on the accompanying consolidated statements of financial position.

(Expressed in Canadian Dollars)

10. Related party transactions and balances – continued

(b) PTI entered into a consulting agreement with Global 1 Solutions, LLC ("Global 1"), a related party under common ownership, under which, Global 1 provides PTI consulting services and broker relationships with marketing companies. During the year ended December 31, 2018, PTI incurred $25,914 (2017- $285,860) for consulting fees and marketing fees pursuant to the agreement.

During the year ended December 31, 2017 PTI incurred advertising and promotions expense charged by Global 1 totaled $161,967. During the year ended December 31, 2018, no such expenses were incurred.

(c) PTI entered into a management services agreement with NY DME, LLC ("NY DME"), a related party owned by the Company's president. NY DME provides durable medical equipment and related services and supplies to patients pursuant to the agreement. The fee for the said services is 10% of weekly collected income, as defined. During the year ended December 31, 2018, PTI incurred $370,228 (2017- $457,009) for services provided under the agreement. As of December 31, 2018, total amount owed to NY DME was $377,935 (2017- $181,575), which is included in due to related companies on the accompanying consolidated statements of financial position.

(d) PTI entered into a consulting arrangement with MMVX, LLC ("MMVX"), a related party owned by a family member of the Company's officer, whereby MMVX provides PTI consulting services. During the year ended December 31, 2018, PTI incurred $161,768 (2017- $157,542) for consulting fees pursuant to the agreement.

<u>Other transactions and balance</u>
PTI entered into arrangements with Pegasus DME, Inc. ("Pegasus"), a related party under common ownership, under which, Pegasus provides PTI with durable medical equipment and related products and services. During the year ended December 31, 2018, no expenses were incurred under such arrangements (2017 - $1,948).

PTI entered into arrangements with National Brace, under which, National Brace provides PTI with durable medical equipment and related products and services. During the year ended December 31, 2018, no expenses were incurred under such arrangements (2017 - $257,455).

PTI entered into arrangements with Global 1, under which, National Brace provides PTI with durable medical equipment and related products and services. During the year ended December 31, 2018, no expenses were incurred under such arrangements (2017 - $48,929).

PTI entered into various promissory notes agreements with the related parties as described in Note 6.

At December 31, 2018, due from related parties included $10,122 (2017: $Nil) advance to related parties under common ownership.

11. Commitment and Contingency

<u>Lease</u>
The Company rents office spaces in New York and Florida for its operation under operating leases with terms of five to ten years. The lease agreements expire on various dates between February 2019 and July 2021. The leases require payment of base lease payments plus the Company's share of operating expenses.

Future minimum rental payments under these lease agreements are as follows:

Year(s)	$
2019	116,752
2020	83,688
2021	33,323
	233,743

(Expressed in Canadian Dollars)

11. Commitment and Contingency - continued

Contingencies

On February 1, 2018, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated March 5, 2019 in amount of USD $131,300. On March 29, 2018, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated April 17, 2019 in amount of USD $15,750. During the year ended December 31, 2018, the Company accrued a liability of $204,585 in relation to these matters.

On October 2, 2017, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated February 6, 2018 in amount of USD $17,500. During the year ended December 31, 2017, the Company accrued a liability of $21,954 in relation to these matters.

12. Financial instruments

The Company's financial instruments include cash, accounts receivable, other receivable, due from related parties, accounts payable, factoring agreements payable, due to related parties, payable to shareholders and notes payable. The carrying value of accounts receivable, other receivable, due from related parties, accounts payable, factoring agreements payable, due to related parties, payable to shareholders and notes payable as presented in these consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and 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.

The Company's financial instruments have been classified as follows:

Financial instrument	Classification	Fair value hierarchy
Cash	FVTPL	Level 1
Accounts receivable	Loans and receivables	n/a
Other receivable	Loans and receivables	n/a
Due from related parties	Loans and receivables	n/a
Accounts payable	Other financial liabilities	n/a
Payable to shareholders	Other financial liabilities	n/a
Due to related parties	Other financial liabilities	n/a
Notes payable	Other financial liabilities	n/a
Factoring agreements payable	Other financial liabilities	n/a

Risk exposure and management

The Company is exposed to various financial instrument risks and continuously assesses the impact and likelihood of this exposure. These risks include credit risk, commodity price risk, liquidity risk, interest rate risk and currency risk. Where material these risks are reviewed and monitored by the Board of Directors

(Expressed in Canadian Dollars)

12. Financial instruments - continued

(a) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash and accounts receivable. Cash is held with an investment grade financial institution as assessed by external rating agencies. Management believes the risk of loss to be minimal. As at December 31, 2018, the Company's maximum credit risk is the carrying value of cash and accounts receivable.

(b) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. As at December 31, 2018, the Company has a working capital deficiency of $2,572,506 (see Note 1). The Company manages liquidity risk by monitoring and reviewing both actual and forecasted cash flows and intends to match the maturity profile of financial assets and liabilities.

Contractual undiscounted cash flow requirements of financial liabilities at December 31, 2018 are as follows:

	Carrying value $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $	Total
Accounts payable	172,981	172,981	-	-	172,981
Payable to shareholders	409,260	409,260	-	-	409,260
Due to related parties	442,043	442,043	-	-	442,043
Notes payable	2,927,636	1,631,646	1,295,990	-	2,927,636
Factoring agreements payable	287,195	287,195	-	-	287,195

(c) Interest rate risk

As at December 31, 2018, the Company does not hold any variable rate term deposits. The Company's promissory notes payable bear fixed rates of interest and therefore is not subject to any significant interest rate cash flow risk.

13. Management of capital

The Company manages its capital to ensure it will be able to continue as a going concern and continue the funding of its long-term investment. The Company currently has commercial operations that management anticipates will, in the near future, generate cash flow. The company will, as management finds necessary to achieve growth, utilize financings to fund its long-term investment, merge and acquisition, inventory, and periodic cash flow needs. The success of each financing depends on numerous factors including a positive economic environment, positive stock market and industry conditions, the Company's ongoing track record and prudent management decisions supported by the Board of Directors approval. The capital structure of the Company currently consists of notes payable, and shareholders' deficiency, which is comprised of share capital and deficit. The Board of Directors does not establish quantitative return on capital criteria for management. Once the Company achieves projected top line growth and establishes quarter over quarter revenue growth and EBITDA benchmarks, it may consider return on capital criteria. The Company does not pay dividends and is not exposed to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

14. Income taxes

The Company's provision for income taxes differs from amounts computed by applying the U.S income tax rates, as a result of the following:

Year ended December 31,		**2018**		**2017**
Enacted rates		21.00%		21.00%
Income tax recovery computed at statutory rates	$	454,652	$	-
Permanent differences		(168,555)		-
Change in deferred assets not recognized		(286,097)		-
Recovery of (provision for) income taxes	$	-	$	-

The tax effects of temporary timing differences that give rise to significant components of the deferred tax assets and deferred tax liabilities are as follows:

Year ended December 31,		**2018**		**2017**
Deferred tax assets				
Non-capital loss carry forwards		257,589		-
Other receivables		28,508		-
Total gross deferred tax assets		286,097		-
Deferred tax assets not recognized		(286,097)		-
Net deferred tax assets	$	-	$	-

At December 31, 2018, the Company has non-capital losses of approximately $1,226,613 which may be carried forward to apply against future year's income for U.S income tax purposes, subject to final determination by taxation authorities, expiring as follows:

15. Effect of change in presentation currency

As set out in Note 2, the Company has elected to change its presentation currency to Canadian dollars from January 1, 2018. This change in presentation currency constitutes a change in accounting policy with retrospective application in accordance with IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*" and is affected in these consolidated financial statements by applying the procedures outlined below, in accordance with the requirements set out in IAS 21 "*The Effects of Changes in Foreign Exchange Rates*".

The exchange rates used in translation were as follows:

Year ended December 31,	**2017**	**2016**
Closing rate	1.2545	1.3427
Average rate	1.2986	1.3244

(Expressed in Canadian Dollars)

15. Effect of change in presentation currency - continued

The Company's previously reported US dollars consolidated statements of financial position as at December 31, 2017and 2016, and consolidated statement of loss and comprehensive loss, and consolidated statement of cash flows as at and for the years ended December 31, 2017 are set out below to illustrate the effect of the change in accounting policy.

Consolidated Statements of Financial Position

	December 31, 2017	January 1, 2017
	USD $	**USD $**
Current assets		
Cash	3,045	15,691
Accounts receivable, net	565,234	197,711
Other receivable	104,771	34,398
	673,050	247,800
Non-current assets		
Property and equipment	51,733	75,683
Deposit	5,551	5,551
Total assets	730,334	329,034
Current liabilities		
Accounts payable and accrued liabilities	195,634	347,136
Factoring agreements payable	335,690	446,668
Due to related parties	357,616	-
Notes payable, current portion	972,867	55,544
	1,861,807	849,348
Non-current liabilities		
Notes payable	-	250,000
	1,861,807	1,099,348
Shareholders' deficiency		
Share capital	2,000	2,000
Deficit	(1,133,473)	(772,314)
	(1,131,473)	(770,314)
Total liabilities and shareholders' deficiency	730,334	329,034

(Expressed in Canadian Dollars)

15. Effect of change in presentation currency – continued

Consolidated Statement of Loss and Comprehensive Loss

	For the Year Ended December 31, 2017
	USD $
Revenue	2,470,488
Cost of sales	462,272
	2,008,216
Expenses	
Interest accretion on factoring agreements payable	120,716
Automotive	16,591
Bad debts	8,180
Bank charges	31,688
Billing service	81,927
Consulting	696,370
Depreciation	23,950
Marketing and promotion	637,347
Office and miscellaneous	75,891
Professional service	213,256
Rent	69,463
Shipping and handling	114,375
Travel	5,638
Wages and benefits	295,295
	2,390,687
Loss before other items	(382,471)
Other items	
Third party billing service income	168,637
Interest expense	(147,328)
Other income	3
Other items	21,312
Net loss and comprehensive loss	(361,159)
Loss per share - basic and diluted	$ (1,806)
Weighted average number of common shares outstanding	200

(Expressed in Canadian Dollars)

15. Effect of change in presentation currency – continued

Consolidated Statement of Cash Flows

	For the Year Ended December 31, 2017
	USD $
Operating activities	
Net loss for the year	(361,159)
Accrued interest	170,041
Bad debt	8,180
Depreciation	23,950
Interest accretion on factoring agreements payable	120,716
	(38,272)
Changes in non-cash working capital items:	
Accounts receivable, net	(375,703)
Other receivable	(70,373)
Due to related parties	357,616
Accounts payable and accrued liabilities	(151,502)
Cash used in operating activities	(278,234)
Financing activities	
Proceeds from notes payable	500,000
Repayment of notes payable	(2,718)
Proceeds from factoring agreemets	246,647
Repayment of factoring agreements	(478,341)
Cash provided by financing activities	265,588
Decrease in cash	(12,646)
Cash - beginning of year	15,691
Cash - end of year	3,045
Supplemental cash disclosures	
Interest paid	-
Income tax paid	-

(Expressed in Canadian Dollars)

16. Transition to IFRS and restatement

As stated in note 2, these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies as set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2018, the comparative information for the year ended December 31, 2017, and in preparation of an opening IFRS consolidated statement of financial position at January 1, 2017 (the Company's date of transition to IFRS).

In preparing its opening IFRS consolidated statement of financial position, certain errors were identified in the consolidated financial statements previously prepared in accordance with US GAAP. An explanation of how the transition from US GAAP to IFRS and restatement has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Consolidated Statements of Financial Position

	Note	January 1, 2017 as originally stated US GAAP	Restatement Adjustment	January 1, 2017 Restated US GAAP	January 1, 2017 IFRS
		USD $	USD $	USD $	USD $
Current assets					
Cash		15,691	-	15,691	15,691
Accounts receivable, net		197,711	-	197,711	197,711
Other receivable		34,398	-	34,398	34,398
		247,800	-	247,800	247,800
Non-current assets					
Property and equipment		75,683	-	75,683	75,683
Deferred tax assets	a)	197,524	(197,524)	-	-
Deposit		5,551	-	5,551	5,551
Total assets		526,558	(197,524)	329,034	329,034
Current liabilities					
Accounts payable and accrued liabilities		347,136	-	347,136	347,136
Factoring agreements payable		446,668	-	446,668	446,668
Notes payable, current portion		55,544	-	55,544	55,544
		849,348	-	849,348	849,348
Non-current liabilities					
Notes payable		250,000	-	250,000	250,000
		1,099,348	-	1,099,348	1,099,348
Shareholders' deficiency					
Share capital		2,000	-	2,000	2,000
Deficit		(574,790)	(197,524)	(772,314)	(772,314)
		(572,790)	(197,524)	(770,314)	(770,314)
Total liabilities and shareholders' deficiency		526,558	(197,524)	329,034	329,034

(Expressed in Canadian Dollars)

16. Transition to IFRS and restatement– continued

Consolidated Statements of Financial Position – continued

	Note	December 31, 2017 as originally stated US GAAP	Restatement Adjustment	December 31, 2017 Restated US GAAP	December 31, 2017 IFRS
		USD $	USD $	USD $	USD $
Current assets					
Cash		3,045	-	3,045	3,045
Accounts receivable, net		565,234	-	565,234	565,234
Other receivable		104,771	-	104,771	104,771
		673,050		673,050	673,050
Non-current assets					
Property and equipment		51,733	-	51,733	51,733
Deferred tax assets	a)	345,283	(345,283)	-	-
Deposit		5,551	-	5,551	5,551
Total assets		1,075,617	(345,283)	730,334	730,334
Current liabilities					
Accounts payable and accrued liabilities	b)	178,134	17,500	195,634	195,634
Factoring agreements payable		335,690	-	335,690	335,690
Due to related parties		357,616	-	357,616	357,616
Notes payable, current portion	c)	963,459	9,408	972,867	972,867
		1,834,899	26,908	1,861,807	1,861,807
Shareholders' deficiency					
Share capital		2,000		2,000	2,000
Deficit		(761,282)	(372,191)	(1,133,473)	(1,133,473)
		(759,282)	(372,191)	(1,131,473)	(1,131,473)
Total liabilities and shareholders' deficiency		1,075,617	(345,283)	730,334	730,334

(Expressed in Canadian Dollars)

16. Transition to IFRS and restatement– continued

Consolidated Statements of Loss and Comprehensive Loss

	Note	For the Year Ended December 31, 2017 as originally stated US GAAP	Restatement Adjustment	For the Year Ended December 31, 2017 Restated US GAAP	For the Year Ended December 31, 2017 IFRS
		USD $	USD $	USD $	USD $
Revenue	d)	2,536,802	(66,314)	2,470,488	2,470,488
Cost of sales		462,272	-	462,272	462,272
		2,074,530	(66,314)	2,008,216	2,008,216
Expenses					
Interest accretion on factoring agreements payable		120,716	-	120,716	120,716
Automotive		16,591	-	16,591	16,591
Bad debts	d)	74,494	(66,314)	8,180	8,180
Bank charges		31,688	-	31,688	31,688
Billing service		81,927	-	81,927	81,927
Consulting		696,370	-	696,370	696,370
Depreciation		23,950	-	23,950	23,950
Marketing and promotion		637,347	-	637,347	637,347
Office and miscellaneous		75,891	-	75,891	75,891
Professional service	b)	195,756	17,500	213,256	213,256
Rent		69,463	-	69,463	69,463
Shipping and handling		114,375	-	114,375	114,375
Travel		5,638	-	5,638	5,638
Wages and benefits		295,295	-	295,295	295,295
		2,439,501	(48,814)	2,390,687	2,390,687
Loss before other items		(364,971)	(17,500)	(382,471)	(382,471)
Other items					
Third party billing service income		168,637	-	168,637	168,637
Interest expense	c)	(137,920)	(9,408)	(147,328)	(147,328)
Other income		3	-	3	3
		30,720	(9,408)	21,312	21,312
Benefit from income taxes	a)	(147,759)	147,759	-	-
Net loss and comprehensive loss		(186,492)	(174,667)	(361,159)	(361,159)
Loss per share - basic and diluted		$ (932)	$ (873)	$ (1,806)	$ (1,806)
Weighted average number of common shares outstanding		200	-	200	200

(a) Deferred tax assets and benefit from income taxes

During the year ended December 31, 2017 and 2016, PTI was treated as a S-Corporation for income tax purposes. Therefore, no deferred tax assets or benefit from income taxes should be recorded. The restatement adjustment resulted in a decrease of deferred tax assets of USD $345,283 and USD $197,524 as at December 31, 2017 and January 1, 2017, respectively, and a decrease in benefit from income taxes of USD $ 147,759 for the year ended December 31, 2017.

16. Transition to IFRS and restatement– continued

(b) Accrued expense and legal expense

On October 2, 2017, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated February 6, 2018 in amount of USD $17,500. The Company did not accrue the liability in relation to this matter. The restatement adjustment resulted in an increase of accrued expense and legal expense of USD $17,500 as at and for the year ended December 31, 2017.

(c) Notes payable and interest expense

The company under accrued interest expense for Madison, LLC promissory note. The restatement adjustment resulted in an increase of notes payable and interest expense of USD $9,408 as at and for the year ended December 31, 2017.

(d) Revenue and bad debts

The Company did not record revenue net of insurance discounts and recorded the insurance discounts as bad debts. The restatement adjustment resulted in a decrease of revenue and bad debts of USD $ 66,314 for the year ended December 31, 2017.

17. Subsequent Events

Subsequent to the year ended December 31, 2018, the following significant transactions occurred:

(a) On March 22, 2018, the Company entered into an Acquisition and Share Exchange Agreement with Nass Valley Gateway Ltd ("NVG"), a Canadian Public Company, under which NVG would be acquiring, subject to the satisfaction of certain conditions, 100% of the common shares of the Company by issuance of 280,000,000 common shares of NVG (the “Transaction”). The Transaction was closed on March 27, 2019. Upon completion of the Transaction, the Company owned approximately 89.7% of the issued and outstanding common shares of NVG.

For accounting purposes, the Transaction is considered to be an reverse takeover transaction outside the scope of IFRS 3 *Business Combinations* since NVG, prior to the Transaction did not constitute a business. The Transaction is accounted for in accordance with IFRS 2 *Share-based Payments* whereby the Company is deemed to have issued shares, options and share purchase warrants to acquire the net assets of NVG together with its listing status, and the fair value of the consideration issued by the Company is used to measure the Transaction. The accounting for the Transaction results in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, NVG, but are considered a continuation of the consolidated financial statements of the legal subsidiary, the Company.

(ii) Since the Company is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Because the Company cannot identify specifically some or all of the goods or services received in the Transaction in return for the exchange of shares, options and warrants, the value in excess of the net identifiable assets of NVG acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing transaction expense.

(Expressed in Canadian Dollars)

17. Subsequent Events - continued

The listing transaction expense in the amount of $1,550,379 is comprised of the fair value of common shares, options and warrants of the Company retained by the former shareholders of NVG, less the amount of acquired net assets of NVG.

The fair value of the common shares issued and subscription receipts was $1,295,98, reflecting the price of shares issued in the most recent private placement at $0.04 per share. The average fair value of NVG options of $0.02 per option was determined using the Black-Scholes option pricing model with the following weighted average assumptions: a 1.15 year expected life; share price at the grant date of $0.04; 140% volatility; risk free interest rate of 1.57%; and a dividend yield of 0%. The average fair value of NVG warrants of $0.01 was determined using the Black-Scholes option pricing model with the following weighted average assumptions: a 0.53 year expected life; share price at the grant date of $0.04; 140% volatility; risk free interest rate of 1.63%; and a dividend yield of 0%.

The fair value of the consideration for the Transaction is as follows:

	Number	Amount
Shares and warrants issued:		
Outstanding common shares and subscription receipts of NVG deemed to be issued	32,399,677	$ 1,295,897
Outstanding options of NVG deemed to be issued	1,105,000	27,021
Outstanding warrants of NVG deemed to be issued	15,921,542	188,759
Total consideration		$ 1,511,767

Net working capital of NVG:	
Cash	$ 6,204
Amounts receivable	3,047
Marketable securities	264
Accounts payable and accrued liabilities	(48,126)
Net liabilities assumed	$ (38,612)

Total consideration	$ 1,511,767
Net liabilities assumed	(38,612)
Total listing transaction expense	$ 1,550,379

(b) In mid 2019, the Company determined to discontinue the durable medical equipment business. Accordingly, management determined to report and present the operations of the PTI as discontinued operations for 2019 accordingly.

17. Subsequent Events - continued

(c) On March 11, 2020, various authorities declared a pandemic related to COVID 19 resulting in restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These restrictions are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates.

The Company believes that these potential delays are temporary and it expects to resume its pursuits as restrictions are alleviated. The duration of the reduced operations is not currently determinable and no provision has been made in these consolidated financial statements for any effects that the Company may experience if the reduction is other than temporary.