**TRACKER VENTURES CORP.**
(formerly Trackloop Analytics Corp.)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

(Expressed in Canadian Dollars)

Crowe MacKay LLP
1100 - 1177 West Hastings St.
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

# Independent Auditor's Report

To the Shareholders of Tracker Ventures Corp. (formerly Trackloop Analytics Corp.)

### Opinion

We have audited the consolidated financial statements of Tracker Ventures Corp. (formerly Trackloop Analytics Corp.) ("the Group"), which comprise the consolidated statements of financial position as at August 31, 2020 and August 31, 2019 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at August 31, 2020 and August 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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.

### Material Uncertainty Related to Going Concern

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

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

**Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Group’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 Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group 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 Group 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 auditor's report is Diana Huang.

Crowe Mackay LLP

**Chartered Professional Accountants**
**Vancouver, Canada**
**November 3, 2020**

**TRACKER VENTURES CORP.**
(fomerly Trackloop Analytics Corp.)
Consolidated Statements of Financial Position
August 31, 2020 and 2019
(Expressed in Canadian Dollars)

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| **Current** | | |
| Cash | 100,991 | 63 |
| GST receivable | 6,265 | 102,900 |
| Prepaid expenses and deposit | 13,380 | 3,864 |
| Loan receivable (Note 11) | 69,606 | - |
| Discontinued operations (Note 9) | - | 50,806 |
| **Total Assets** | **190,242** | **157,633** |
| **Liabilities** | | |
| **Current** | | |
| Accounts payables and accrued liabilities (Note 5) | 81,264 | 88,552 |
| Due to related party (Note 5) | - | 6,000 |
| Discontinued operations (Note 9) | - | 233,745 |
| | 81,264 | 328,297 |
| **Shareholders' equity (deficit)** | | |
| Share capital (Note 6) | 7,094,824 | 7,094,824 |
| Subscription received in advance (receivable) | 279,829 | (30,000) |
| Contributed surplus | 1,095,220 | 1,095,220 |
| Deficit | (8,360,895) | (8,330,708) |
| | 108,978 | (170,664) |
| **Total Liabilities and Shareholders' deficit** | **190,242** | **157,633** |

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Notes 6 and 11)

APPROVED ON BEHALF OF THE BOARD:

*"Geoff Balderson"* Director *"Stephen Ross Gatensbury"* Director

See Accompanying Notes to the Consolidated Financial Statements

**TRACKER VENTURES CORP.**
(fomerly Trackloop Analytics Corp.)
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

| | For the years ended August 31, | |
|---|---|---|
| | **2020** | **2019** |
| | $ | $ |
| **EXPENSES** | | |
| Advertising and investor relations | - | 391,880 |
| Bad debts | 30,000 | - |
| Bank charges and interest | 1,707 | 592 |
| Consulting fees (Note 5) | 90,500 | 296,000 |
| Depreciation | - | 2,700 |
| Listing and filing | 20,997 | 57,170 |
| Office and miscellaneous | 2,555 | 21,698 |
| Professional fees | 29,867 | 59,516 |
| Promotion and travel | - | 4,983 |
| Rent | - | 12,885 |
| Share-based payments (Note 6) | - | 177,500 |
| | 175,626 | 1,024,924 |
| **Loss before other items** | (175,626) | (1,024,924) |
| **OTHER ITEMS:** | | |
| Finders fees (Note 9) | - | (161,000) |
| Write-off of accounts payable | - | 73,688 |
| | - | (87,312) |
| **Net loss and comprehensive loss from continuing operations** | (175,626) | (1,112,236) |
| **Net income (loss) and comprehensive income (loss) from discontinued operations (Note 9)** | 145,439 | (1,232,782) |
| **Total income (loss) and comprehensive income (loss)** | (30,187) | (2,345,018) |
| **Basic and diluted loss per share – continuing operations** | (0.05) | (0.36) |
| **Basic and diluted income (loss) per share – discontinued operations** | 0.05 | (0.40) |
| **Basic and diluted income (loss) per share – total** | (0.00) | (0.76) |
| **Weighted average number of common shares outstanding – basic and diluted** | 3,212,632 | 3,089,906 |

See Accompanying Notes to the Consolidated Financial Statements

**TRACKER VENTURES CORP.**
(fomerly Trackloop Analytics Corp.)
Consolidated Statements of Cash Flows
For the years ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

| | For the year ended August 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Cash flows used in operating activities** | | |
| Net loss for the year from continuing operations | (175,626) | (1,112,236) |
| Amounts not affecting cash | | |
| Bad debts | 30,000 | - |
| Depreciation | - | 2,700 |
| Finders fee | - | 161,000 |
| Share-based payments | - | 177,500 |
| Write-off of accounts payable | - | (73,688) |
| | (145,626) | (844,724) |
| Changes in non-cash working capital items | | |
| GST receivable | 96,635 | (30,014) |
| Prepaid expenses and deposits | (9,516) | 34,683 |
| Accounts payable and accrued liabilities | (7,288) | (329,963) |
| | (65,795) | (1,170,018) |
| **Cash flows from financing activities** | | |
| Loan payable | - | (20,000) |
| Repayment to related party | (6,000) | - |
| Cash received from share issuance | - | 605,000 |
| Share issue cost | - | (15,600) |
| Share subscriptions received | 279,829 | - |
| | 273,829 | 569,400 |
| **Cash flows from investing activities** | | |
| Cash acquired on acquisition of Chaintrack (Note 9) | - | 126,388 |
| Loan receivable | (69,606) | - |
| Equipment | - | (1,600) |
| | (69,606) | 124,788 |
| **Net cash used in discontinued operations (Note 9)** | (37,500) | (334,231) |
| **Change in cash in during the year** | 100,928 | (810,061) |
| **Cash, beginning of year** | 63 | 810,124 |
| **Cash, end of year** | 100,991 | 63 |
| **Supplemental cash flow information** | | |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |
| **Non-cash transactions** | | |
| Common shares and finders shares issued for acquisition of Chaintrack | - | 938,000 |
| Finders warrants issued for acquisition of Chaintrack | - | 65,000 |

See Accompanying Notes to the Consolidated Financial Statements

**TRACKER VENTURES CORP.**
(fomerly Trackloop Analytics Corp.)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the years ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

| | **Number of Shares Issued** | **Share Capital** | **Share Subscription (Receivable)** | **Contributed Surplus** | **Deficit** | **Total Shareholders' Equity (Deficit)** |
|---|---|---|---|---|---|---|
| | # | **$** | **$** | **$** | **$** | **$** |
| Balance at August 31, 2018 | 2,025,132 | 5,709,844 | (37,500) | 717,800 | (5,985,690) | 404,454 |
| Cash | | | | | | |
| Shares issued on private placement | 310,000 | 496,000 | (15,000) | 124,000 | - | 605,000 |
| Share issue cost | - | (15,600) | - | - | - | (15,600) |
| Agent's warrants | - | (10,920) | - | 10,920 | - | - |
| Shares issued pursuant to share exchange agreement | 825,000 | 842,000 | - | - | - | 842,000 |
| Units issued as finders fees | 60,000 | 96,000 | - | 65,000 | - | 161,000 |
| Shares returned to treasury | (7,500) | (22,500) | 22,500 | - | - | - |
| Share-based payments | - | - | - | 177,500 | - | 177,500 |
| Net loss and comprehensive loss for the year | - | - | - | - | (2,345,018) | (2,345,018) |
| Balance at August 31, 2019 | 3,212,632 | 7,094,824 | (30,000) | 1,095,220 | (8,330,708) | (170,664) |
| Share subscriptions received | - | - | 279,829 | - | - | 279,829 |
| Write-off subscription receivable | - | - | 30,000 | - | - | 30,000 |
| Net loss and comprehensive loss for the year | - | - | - | - | (30,187) | (30,187) |
| **Balance at August 31, 2020** | **3,212,632** | **7,094,824** | **279,829** | **1,095,220** | **(8,360,895)** | **108,978** |

See Accompanying Notes to the Consolidated Financial Statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Blackchain Solutions Inc. (the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on July 10, 2007. On September 21, 2018, the Company changed its name to Trackloop Analytics Corp. The Company was a software sales and consulting company engaged in the business of providing software solutions and consulting services to financial institutions to meet their regulatory obligations. On September 26, 2018, the Company acquired Chaintrack Technologies Inc. ("Chaintrack") and on September 24, 2019, the Company disposed Chaintrack.

On September 25, 2018, the Company completed a share consolidation on the basis of 2 old shares for 1 new share. In addition, on October 25, 2019, the Company completed another share consolidation on the basis of 20 old shares for 1 new share. These share consolidations have been retroactively presented in these consolidated financial statements and all share amounts, including per share amounts, reflect the share consolidations. The Company also changed its name to Tracker Ventures Corp.

The head office, address and records office of the Company are located at Suite 1000 – 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At August 31, 2020, the Company has not achieved profitable operations, has accumulated losses of $8,360,895 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations, its ability to attain profitable operations to generate funds, and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

There was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.

## 2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars which is also its functional currency.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 3, 2020.

## 2. BASIS OF PRESENTATION (Continued)

Basis of Measurement

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. See Note 4 for use of estimates and judgements made by management in the application of IFRS.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Chaintrack. The Company acquired Chaintrack on September 26, 2018 and sold it on September 24, 2019 (Note 9). The results of Chaintrack were included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Financial Instruments

*Financial Assets*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the 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 the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. These are the measurement categories under which the Company 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 measures 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 in finance income using the effective interest rate method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, 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. Interest income from these financial assets is included as finance income using the effective interest rate method.

- 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 as revenue in the Consolidated Statement of Income (Loss) in the period which it arises.

The Company's cash and loan receivable are measured at amortized cost.

*Impairment of Financial Assets at Amortized Cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Financial Liabilities*

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as 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: the amount of change in 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 Company 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 rate method. The Company classifies its accounts payable and accrued liabilities, and due to related party as financial liabilities held at amortized cost.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. There were no potentially dilutive common shares related to warrants and options outstanding at August 31, 2020 and 2019. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Income Taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to contributed surplus.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in profit or loss, with a corresponding increase to contributed surplus. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of stock options that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments, along with the amounts reflected in contributed surplus, is credited to share capital. Shares are issued from treasury upon the exercise of the equity-settled share based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility was determined based on the historical trading prices of the Company.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Amounts reflected in contributed surplus for stock options which expire unexercised remain in contributed surplus.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree.

Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, Financial Instruments: Recognition and Measurement or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

**4. USE OF ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

## 4. USE OF ESTIMATES AND JUDGMENTS (Continued)

### Critical judgments in applying accounting policies:

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

### Going concern

The assessment of the Company's ability to continue as a going concern require significant judgement. See Note 1.

### Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

### Key sources of estimation uncertainty:

### Purchase price allocation

The acquisition of Chaintrack was accounted for as business combinations at fair value in accordance with IFRS 3, Business Combinations. The acquired assets and assumed liabilities were adjusted to their fair values assigned through completion of a purchase price allocation, as described below.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of the consideration given and allocate to the identifiable assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The allocation of the consideration to the assets acquired and liabilities assumed was not finalized. See Note 9.

(Expressed in Canadian Dollars)

## 5. RELATED PARTY TRANSACTIONS AND BALANCES

Key Management Compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

| | Years ended August 31, 2020 | 2019 |
|---|---|---|
| | **$** | **$** |
| Consulting fees | | |
| CFO and Chief Technology Officer ("CTO") | 15,000 | 61,000 |
| CEO and a company controlled by him | 48,000 | 47,000 |
| Stephen Ross Gatensbury, Director | 25,000 | - |
| | 88,000 | 108,000 |

The following summarizes the balances with related parties as at August 31, 2020 and 2019:

| | August 31, 2020 | August 31, 2019 |
|---|---|---|
| | **$** | **$** |
| **Balances** | | |
| Due to related party | | |
| Current director | - | 6,000 |
| | - | 6,000 |
| Accounts payable | | |
| Zayn Kaylan – CFO and CTO | - | 10,500 |
| Harmony Corporate services Ltd. – company controlled by Geoff Balderson, CEO | - | 20,433 |
| | - | 30,933 |
| | - | 36,933 |

The amounts due to related parties are unsecured, non-interest bearing, with specific terms of repayment.

## 6. SHARE CAPITAL

a) Authorized:

An unlimited number of common shares without par value.
An unlimited number of preferred shares without par value.

On September 25, 2018, the Company completed another share consolidation on the basis of 2 old shares for 1 new share.

On October 25, 2019, the Company completed a share consolidation on the basis of 20 old shares for 1 new share. These share consolidations have been retroactively presented in these consolidated financial statements and all share amounts, including per share amounts, reflect the share consolidations.

b) Shares Issued:

There were no shares issued during the year ended August 31, 2020.

For the year ended August 31, 2019:

On November 13, 2018, the Company completed a non-brokered private placement of 310,000 (6,200,000 pre-consolidated units) at a price of $2.00 ($0.10 per pre-consolidated) unit for gross proceeds of $620,000. Each unit consisted of one common share and one common share purchase warrant. Based on the market price of the common shares on the date of announcement, the Company allocated $124,000 to the fair value of the warrants. Each warrant is exercisable at a price of $3.00 ($0.15 pre-consolidated) per share for a term of two years. The Company paid a cash finders' fee of $15,600 and issued 7,800 (156,000 pre-consolidated) agent's warrants exercisable at a price of $3.00 ($0.15 pre-consolidated) until November 13, 2020. The finders' warrants were fair valued at $10,920 using the Black-Scholes model based on the following assumptions: share price on issuance date - $2.00 ($0.10 pre-consolidated); risk free rate – 2.21%; expected dividend – nil; expected life – 2 years; expected volatility – 156%. As at August 31, 2019, $15,000 was included in subscription receivable.

On September 26, 2018, the Company issued shares and finder's units for the acquisition of Chaintrack (Note 9).

c) Stock Options

The Company grants incentive stock options as permitted by the Company's Stock Option Plan ("the Plan") approved by the shareholders of the Company. The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of ten years. If the optionee ceases to be qualified to receive options from the Company those options expire within 30 days. All options vest when granted unless otherwise specified by the Board of Directors.

(Expressed in Canadian Dollars)

## 6. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

On March 12, 2019, the Company granted 25,000 (500,000 pre-consolidated) stock options to a consultant exercisable at $1.40 ($0.07 pre-consolidated) per common share for a period of three years and recognized share-based compensation of $25,000. The fair value of the options were determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value. The following assumptions were used for the calculation: Market price of shares - $1.30 ($0.065 pre-consolidated); risk free interest rate of 1.45%; expected life 3 years; expect volatility of 156%; expected dividend yield of 0% and forfeiture rate of 0%. These stock options vested at the date of grant.

On September 26, 2018, the Company granted 152,500 (3,050,000 pre-consolidated) stock options to employees of Chaintrack exercisable at $1.40 ($0.07 pre-consolidated) per common share for a period of two years. The fair value of the stock options was determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value. The following assumptions were used for the calculation: Market price of shares - $1.40 ($0.07 pre-consolidated); risk free interest rate of 2.19%; expected life 2 years; expect volatility of 156%; expected dividend yield of 0% and forfeiture rate of 0%. These stock options vested at the date of grant.

Expected volatility is estimated based on realized historical volatility of the Company's share prices.

There were no stock options granted during the years ended August 31, 2020 and 2019.

| | **Number** | **Weighted average life remaining (years)** | **Weighted average exercise price** |
|---|---|---|---|
| | | | $ |
| Balance, August 31, 2018 | 15,000 | 3.04 | 6.00 |
| Granted | 177,500 | - | 1.40 |
| Forfeited | (7,500) | - | 4.00 |
| Balance, August 31, 2019 and | | 1.45 | 1.67 |
| August 31, 2020 | 185,000 | 0.45 | 1.67 |

The following table summarizes the stock options outstanding and exercisable as at August 31, 2020.

| **Expiry Date** | **Exercise Price** | **Number of Options** |
|---|---|---|
| April 10, 2025 | $8.00 | 7,500 |
| March 11, 2022 | $1.40 | 25,000 |
| September 25, 2020 | $1.40 | 152,500 |
| Total | | 185,000 |

On September 25, 2020, 152,500 stock options expired unexercised.

(Expressed in Canadian Dollars)

## 6. SHARE CAPITAL (Continued)

d) Warrants

Information regarding the Company's outstanding share purchase warrants is summarized below:

| | **Number** | **Weighted average exercise price** |
|---|---|---|
| | | $ |
| Balance, August 31, 2018 | 769,185 | 4.63 |
| Issued | 310,000 | 3.00 |
| Expired | (69,125) | 8.00 |
| Balance, August 31, 2019 | 1,010,060 | 3.90 |
| Expired | (75,060) | 6.80 |
| Balance, August 31, 2020 | 935,000 | 3.67 |

As at August 31, 2020, the share purchase warrants have a weighted average contractual life of 0.32 years.

The following table summarizes the share purchase warrants outstanding and exercisable as at August 31, 2020:

| Expiry date | Exercise price | Remaining contractual life (years) | Warrants Outstanding |
|---|---|---|---|
| January 17, 2021 | $4.00 | 0.38 | 625,000 |
| November 13, 2020 | $3.00 | 0.20 | 310,000 |
| | | | 935,000 |

e) Agent's Warrants

Information regarding the Company's outstanding Agent's warrants is summarized below:

| | **Number** | **Weighted average exercise price** |
|---|---|---|
| | | $ |
| Balance, August 31, 2018 | 28,644 | 4.21 |
| Issued | 67,800 | 3.88 |
| Balance, August 31, 2019 | 96,444 | 3.98 |
| Expired | (2,178) | 6.80 |
| Balance, August 31, 2020 | 94,266 | 3.92 |

(Expressed in Canadian Dollars)

## 6. SHARE CAPITAL (Continued)

e) Agent's Warrants (Continued)

The following table summarizes the Agent's warrants outstanding and exercisable as at August 31, 2020:

| Expiry date | Exercise price | Agents' Warrants Outstanding |
|---|---|---|
| January 17, 2021 | $4.00 | 26,466 |
| September 25, 2020 | $4.00 | 60,000 |
| November 13, 2020 | $3.00 | 7,800 |
| | | 94,266 |

As at August 31, 2020, the Agents' warrants have a weighted average contractual life of 0.17 years.

On September 25, 2020, 60,000 agent's warrants expired unexercised.

## 7. FINANCIAL INSTRUMENTS AND RISK

*Fair values*

The Company's financial instruments include cash, loan receivable, due to related party, accounts payable and accrued liabilities. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market date.

As at August 31, 2020, the Company did not recognize any financial assets or liabilities at their fair value.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk, the Company places cash with financial institutions. The carrying value of cash and loan receivable is the Company's maximum exposure to credit risk as at August 31, 2020.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As at August 31, 2020 the Company had a working capital of $108,978. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company's short term and long term cash requirement.

## 7. FINANCIAL INSTRUMENTS AND RISK (Continued)

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

## 8. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity (deficit) as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. There were no changes to the Company's approach to capital management during the year ended August 31, 2020.

## 9. BUSINESS ACQUISITION AND DISCONTINUED OPERATIONS

Acquisition of Chaintrack

On September 26, 2018, the Company completed a share exchange agreement with Chaintrack Technologies Inc. ("Chaintrack"), a private company incorporated under the laws of British Columbia, pursuant to which the Company will acquire all of the issued and outstanding shares of Chaintrack. Chaintrack is a company providing Internet of-Things powered supply chain tracking solutions for the food and pharmaceutical industries. The Company issued 825,000 (16,500,000 pre-consolidated) common shares in exchange for 100% of the issued and outstanding shares of Chaintrack. Chaintrack became a wholly-owned subsidiary of the Company. The Company paid a finder's fee in the aggregate amount of 60,000 (1,200,000 pre-consolidated) units, with each unit comprising one common share and one common share purchase warrant exercisable at a price of $4.00 ($0.20 pre-consolidated) per share for a period of two years to a group of finders upon the closing of the transaction.

The transaction was accounted for pursuant to IFRS 3, Business Combinations, as the operations of Chaintrack meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed and the goodwill resulting from the allocation of the purchase price to the total fair value of net assets will represent the sales and growth potential of Chaintrack.

The common shares issued to the vendors are subject to resale restrictions whereby 20% are released from escrow every three months. The fair value of these shares were estimated to be $842,000 based on the trading price of the shares on the date of issuance of $1.60 ($0.08 pre-consolidated) per share, discounted by the put option, calculated using the Black-Scholes option-pricing model, for the length of the hold period.

Due to the timing of the acquisition and then the subsequent sale thereof, the Company did not obtain the necessary information required to complete the allocation of the consideration to the assets acquired, particularly to the intangible assets and goodwill, and liabilities assumed, based on their estimated fair values at the date of acquisition.

(Expressed in Canadian Dollars)

## 9. BUSINESS ACQUISITION AND DISCONTINUED OPERATIONS (Continued)

Acquisition of Chaintrack (continued)

| | | |
|---|---|---|
| Cash | $ | 126,388 |
| GST receivable | | 580 |
| Unallocated purchase price | | 715,032 |
| Net assets acquired | $ | 842,000 |
| Consideration given | | |
| Common shares | $ | 842,000 |

The Company recognized $161,000 finders fees as a transaction cost and have recorded it as an expense to the consolidated statements of loss. The finders fees consist of 60,000 (1,200,000 pre-consolidated) units of the Company. The share component was valued at the stock price at the date of issuance at $1.60 ($0.08 pre-consolidated) per share, which is $96,000. The warrant component was valued at $65,000 using the Black-Scholes model based on the following assumptions: share price on issuance date - $1.60 ($0.08 pre-consolidated); risk free rate – 2.19%; expected dividend – nil; expected life – 2 years; expected volatility – 174%.

In connection with the completion of the above transaction, the Company must transfer to Chaintrack the following funds to be utilized by Chaintrack exclusively for research and development: (i) $125,000 within 5 days of closing (advanced); (ii) $50,000 within 60 days of closing (advanced); (iii) $75,000 within 7 months from closing. The Company must, on a best efforts basis, raise a minimum of $500,000 within 4 months of closing and transfer to Chaintrack an additional $150,000 within 8 months of closing.

Sale of Chaintrack

On September 24, 2019, the Company entered into a share purchase agreement with one of the former shareholders of Chaintrack (the "Purchaser"), wherein the Company agreed to sell all of the issued and outstanding shares in the capital of Chaintrack, issue a promissory note in the amount of $37,500 (paid) in favour of the purchaser and consent to the Purchaser the use of the name Trackloop Analytics Corp.

As a result, Chaintrack's operations have been reclassified as discontinued operations. The unallocated purchase price of $715,032 was written off to impairment charge included in net loss from discontinued operations on the consolidated statements of loss at August 31, 2019.

The following summarizes the accounting information relating to the discontinued operations as at August 31, 2020 and 2019.

(Expressed in Canadian Dollars)

## 9. BUSINESS ACQUISITION AND DISCONTINUED OPERATIONS (Continued)

Sale of Chaintrack (continued)

| **Statement of financial position** | **August 31, 2020** | **August 31, 2019** |
|---|---|---|
| **Assets** | **$** | **$** |
| Current | | |
| Amounts receivable | - | 49,506 |
| Prepaid expenses | - | 1,300 |
| | - | 50,806 |
| **Liabilities** | | |
| Current | | |
| Bank indebtedness | - | 3,095 |
| Accounts payable and accrued liabilities | - | 14,063 |
| Payroll taxes payable | - | 53,492 |
| Due to related parties | - | 2,950 |
| Loans payable | - | 160,145 |
| | - | 233,745 |

**Statements of income (loss) and comprehensive income (loss)**

| | **For the years ended August 31, 2020** | **August 31, 2019** |
|---|---|---|
| | **$** | **$** |
| Sales | 2,979 | 64,519 |
| Direct costs | - | 16,875 |
| Gross profit | 2,979 | 47,644 |
| Expenses | | |
| Bank charges and interest | 91 | 9,804 |
| Consulting fees | - | 235,541 |
| Impairment | - | 715,032 |
| Office and miscellaneous | 1,258 | 21,385 |
| Professional fees | - | 12,626 |
| Rent | - | 29,008 |
| Wages and benefits | 16,467 | 238,517 |
| Promotion and travel | 252 | 18,513 |
| | 18,068 | 1,280,426 |
| Loss before other item: | (15,089) | (1,232,782) |
| Other item | | |
| Gain on disposal of Chaintrack | 160,528 | - |
| Net income (loss) from discontinued operations | 145,439 | (1,232,782) |

(Expressed in Canadian Dollars)

## 9. BUSINESS ACQUISITION AND DISCONTINUED OPERATIONS (Continued)

Sale of Chaintrack (Continued)

The following table provides additional information with respect to the gain on sale of discontinued operations:

| | $ |
|---|---|
| Cost of disposal of discontinued operations | |
| Cash paid to purchaser | 37,500 |
| | |
| Less net assets (liabilities) of discontinued operations | |
| Amounts receivable | 52,588 |
| Prepaid expenses | 1,300 |
| Accounts payable and accrued liabilities | (1,213) |
| Bank indebtedness | (15,687) |
| Payroll payable | (56,921) |
| Due to related parties | (2,950) |
| Loans payable | (175,145) |
| | (198,028) |
| Gain on disposal of Chaintrack | 160,528 |

| Statements of cash flows | For the years ended August 31, 2020 | August 31, 2019 |
|---|---|---|
| | $ | $ |
| Cash flows used in operating activities | | |
| Net income (loss) from discontinued operations | 145,439 | (1,232,782) |
| Impairment | - | 715,032 |
| Gain on disposal of Chaintrack | (160,528) | - |
| Changes in non-cash working capital items | | |
| Amounts receivable | (3,082) | (48,927) |
| Prepaid expenses and deposit | - | (1,300) |
| Accounts payable and accrued liabilities | (12,850) | 14,063 |
| Payroll taxes owing | 3,429 | 53,492 |
| | (27,592) | (500,422) |
| | | |
| Cash flows from financing activities | | |
| Bank indebtedness | 12,592 | 3,095 |
| Due to related party | - | 2,951 |
| Loans payable | 52,500 | 160,145 |
| | 65,092 | 166,191 |
| | | |
| Net cash used in discontinued operations | (37,500) | (334,231) |

(Expressed in Canadian Dollars)

## 10. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

| | | August 31, 2020 | | August 31, 2019 |
|---|---|---|---|---|
| Loss from continuing operations before tax | $ | (175,626) | $ | (1,112,236) |
| Income tax recovery at local statutory rates – 27% (2019 – 27.00%) | $ | (47,400) | $ | (300,000) |
| Permanent differences | | (41,200) | | 79,000 |
| Change in unrecognized tax benefits not recognized | | 88,600 | | 221,000 |
| | $ | - | $ | - |

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

| | | August 31, 2020 | | August 31, 2019 |
|---|---|---|---|---|
| Non-capital losses | $ | 1,704,000 | $ | 1,589,000 |
| Capital loss | | 47,000 | | - |
| Undeducted financing costs | | 14,000 | | 23,000 |
| Equipment | | 2,000 | | 2,000 |
| Unrecognized deferred tax assets | | (1,767,000) | | (1,614,000) |
| | $ | - | $ | - |

As at August 31, 2020, the Company has non-capital loss carry-forwards of approximately $6,312,000 available for offset against future taxable income, if not utilized, will start to expire in 2027. Deferred tax assets have not been recognized in respect of these items because there is no objective evidence that it is probable that the Company will generate sufficient taxable income to utilize tax losses and other deductible items.

Should the Company demonstrate an ability to earn sufficient taxable income in the future, some deferred tax benefit may be recognized.

As at August 31, 2020, the Company has unrecognized deferred tax liabilities of approximately $Nil (2019 - $100,000) due to temporary differences arising on the initial recognition of the acquisition of Chaintrack.

In assessing the likelihood of realization of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income the carry forward period.

## 11. SUBSEQUENT EVENTS

On September 29, 2020, the Company issued 12,050,000 units at a price of $0.07 per unit for total proceeds of $843,500. Each unit consists of one common share and one share purchase warrant, with each warrant exercisable into one common share at a price of $0.20 per share expiring three years from the date of issuance. The Company paid a cash finders fee of $22,099 and issued 315,700 finders' warrants with similar terms to the above warrants.

On October 29, 2020, the Company entered into a definitive share exchange agreement (the "**Definitive Agreement**") with Contakt World Technologies Corp. ("**Contakt Parentco**"), Contakt LLC ("**Contakt World**") and the shareholders of Contakt Parentco (the "**Vendors**") to indirectly acquire a 100% interest in Contakt World, a technology company modernizing the contact tracing process through next-gen data integrations, strategic health partnerships and respect for user privacy to empower and build mutual trust within communities (the "**Acquisition**"). The Acquisition is expected to close on or before December 31, 2020, subject to customary closing conditions.

Contakt Parentco holds 100% of the membership interests in Contakt World. The Definitive Agreement provides for, among other things: (i) the Acquisition by Tracker of 100% of the currently outstanding 20,000,100 common shares of Contakt Parentco in exchange for 10,000,050 common shares ("**Tracker Shares**") and 100,001 Class A shares ("**Tracker Compressed Shares**" and, together with the Tracker Shares the "**Consideration Shares**") of Tracker. Each of the Tracker Compressed Shares will entitle the holder thereof (A) to 100 votes at general and special meetings of shareholders of Tracker and (B) to convert such Tracker Compressed Shares into Tracker Shares on a one to one hundred (1:100) basis; (ii) an advance of up to $1,000,000 to Contakt World prior to, upon or subsequent to closing of the Acquisition; (iii) the issuance of 5,000,000 restricted share units ("**RSUs**") on closing to consultants, such RSUs to vest on a quarterly basis over the 21 months following the Acquisition; and (iv) the potential, but not the obligation, for the issuance of additional shares and warrants by Contakt Parentco to investors ("**New Vendors**") in a financing to be conducted prior to closing. Any issuance of securities to a New Vendor will be subject to such New Vendor executing a joinder agreement to be bound under the Definitive Agreement.

Completion of the Acquisition is subject to a number of customary conditions, including, among other things, (i) approval of shareholders of the Company and the Canadian Securities Exchange and (ii) entry into of a pooling agreement by the Vendors respecting the quarterly release of 87.5% of the Consideration Shares over the 21 months following the Acquisition.

In connection with the Acquisition, on October 29, 2020, the Company entered into a loan agreement with Contakt World whereby the Company agreed to provide to Contact World a credit facility (the "Facility") in the amount of up to $1,000,000, maturing October 29, 2021 ("Maturity Date"). If the Acquisition is terminated or abandoned before the Maturity Date, amounts due under the Facility will mature and become payable within 90 days of such termination or abandonment, as the case maybe; and if the Acquisition is completed before the Maturity Date, amounts due under the Facility will become payable on the Maturity Date. As of August 31, 2020, $69,606 was provided to Contakt.