

## **LOC8 CORP.**

Condensed interim financial statements

For the three months ended September 30, 2020

(Unaudited - expressed in Canadian Dollars)

### **NOTICE TO READER**

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

The accompanying unaudited consolidated interim financial statements have been prepared by and are the responsibility of the management.

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

# LOC8 CORP.

## CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2020

(Unaudited - Amounts expressed in Canadian Dollars)

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**Loc8 Corp.**Interim Statements of Financial Position  
(Unaudited- expressed in Canadian dollars)

<b>ASSETS</b>		<b>September 30, 2020</b>		June 30, 2020
<b>CURRENT</b>				
Cash	\$	467,574	\$	560,900
Restricted cash (Note 3)		1,042,200		642,000
Sales tax receivable		7,930		-
		<u>1,517,704</u>		<u>1,202,900</u>
<b>Intangible assets</b> (Note 4)		<u>1,820,152</u>		<u>1,897,178</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>3,337,856</u></b>	<b>\$</b>	<b><u>3,100,078</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities (Note 6)	\$	<u>49,358</u>	\$	<u>40,354</u>
<b>TOTAL LIABILITIES</b>		<u>49,358</u>		<u>40,354</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital (Note 5)		2,940,601		2,940,601
Share subscriptions (Note 5)		1,042,200		642,000
Accumulated deficit		<u>(694,303)</u>		<u>(522,877)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>3,288,498</u>		<u>3,059,724</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b><u>3,337,856</u></b>	<b>\$</b>	<b><u>3,100,078</u></b>

Organization and nature of operations (Note 1)  
Basis of presentation and going concern (Note 2)  
Subsequent events (Note 9)

Approved on behalf of the Board of Directors:

"Rahul Kushwah"

Signed: Rahul Kushwah, CEO and Director

"Sheldon Kales"

Signed: Sheldon Kales, Director

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

**Loc8 Corp.**

Interim Statement of Loss and Comprehensive Loss  
For the three- month ended September 30, 2020  
(Unaudited- expressed in Canadian dollars)

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**Expenses**

Amortization of intangible assets (Note 4)	\$	77,026
Consulting fees (Note 6)		19,500
Legal fees		9,358
Management fees (Note 6)		44,500
Marketing expenses (Note 6)		10,500
Professional fees		4,000
Research and development (Note 6)		4,000
Vehicles use expenses (Note 6)		1,000
Travel, entertainment, and related		1,542
<b>Loss and comprehensive loss</b>	<b>\$</b>	<b>(171,426)</b>
<hr/>		
Loss per share - Basic and Diluted	\$	(0.002)
<hr/>		
Weighted average number of common shares outstanding - Basic and Diluted		83,575,000

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

**Loc8 Corp.**  
Statement of Changes in Shareholders' Equity  
(Unaudited- expressed in Canadian dollars)

	Number of common shares outstanding	Share capital	Share subscriptions	Deficit	Total
Founder shares issued	11,550,000	\$ 1	\$ -	\$ -	\$ 1
Purchase of Intellectual Property	63,450,000	2,145,000	-	-	2,145,000
Private placements	8,575,000	857,500	-	-	857,500
Share issuance costs	-	(61,900)	-	-	(61,900)
Share subscriptions	-	-	642,000	-	642,000
Net loss for the period	-	-	-	(522,877)	(522,877)
<b>Balance as at June 30, 2020</b>	83,575,000	\$ 2,940,601	\$ 642,000	\$ (522,877)	\$ 3,059,724
Share subscriptions	-	-	400,200	-	400,200
Net loss for the period	-	-	-	(171,426)	(171,426)
<b>Balance as at September 30, 2020</b>	83,575,000	\$ 2,940,601	\$ 1,042,200	\$ (694,303)	\$ 3,288,498

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

**Loc8 Corp.**  
Interim Statement of Cash Flows  
For the three months ended September 30, 2020  
(Unaudited- expressed in Canadian dollars)

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**OPERATING ACTIVITIES**

Net loss	\$	(171,426)
Non-cash items included in net loss and other adjustments:		
Amortization of intangible assets		77,026
Changes in non-cash working capital:		
Sales tax receivable		(7,930)
Accounts payable and accrued liabilities		9,004
<b>CASH USED IN OPERATING ACTIVITIES</b>		<b>(93,326)</b>

**FINANCING ACTIVITIES**

Share subscriptions received		400,200
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>400,200</b>

<b>NET CHANGE IN CASH DURING THE PERIOD</b>		<b>306,874</b>
<b>CASH, BEGINNING OF PERIOD</b>		<b>1,202,900</b>
<b>CASH, END OF PERIOD</b>	<b>\$</b>	<b>1,509,774</b>

**Cash consists of:**

<b>Cash</b>	<b>\$</b>	<b>467,574</b>
<b>Restricted cash</b>		<b>1,042,200</b>
	<b>\$</b>	<b>1,509,774</b>

Cash paid for interest and income taxes	\$	-
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The accompanying notes are an integral part of these interim condensed financial statements

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

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**1. Organization and Nature of Operations**

Loc8 Corp. (the "Company") leverages Artificial Intelligence to create robust location intelligence solutions for transforming existing location data into business outcomes. Location data can be anything from addresses and latitude/longitude coordinates, buildings, monuments or alike and when this data is correlated with internal business data, it creates business context to improve decision making backed by data driven analytics.

The Company was incorporated under the laws of the province of Ontario on September 4, 2019.

On September 9, 2019 the Company issued 63,450,000 common shares to Algo8 AI Private Limited, a company incorporated in India and its associates including their designates, being the fair value consideration for the assignment of intellectual property relating to development and creation of the work product related to geospatial artificial intelligence for enterprises.

The Company's corporate head office is located at 77 King Street W, Suite 3000, Toronto, Ontario, Canada, M5K 1G8.

The Board of Directors of the Company authorized these financial statements for issuance on December 21, 2020.

**2. Basis of Presentation and Going Concern****Basis of Preparation**

These condensed interim financial statements have been prepared on the historical cost basis except for financial instruments recorded at fair value. In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar, which is also the Company's reporting currency.

**Statement of Compliance**

These condensed interim financial statements (the "Financial Statements") are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"), using accounting policies of International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended June 30, 2020, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim financial statements are based on accounting policies as described in the June 30, 2020 annual financial statements.

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

**2. Basis of Presentation and Going Concern (Cont'd)****Going Concern Assumption**

These financial statements have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business, for the next fiscal year. At September 30, 2020, the Company had cash of \$467,574, restricted cash of \$1,042,200, working capital of \$1,468,346 and an accumulated deficit of \$694,303. The continuing operations of the Company are dependent on funding provided by equity investors. The Company intends to finance its future requirements through a combination of equity and/or debt issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

Since February 29, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

**Significant Accounting Judgments and Estimates**

The preparation of these financial statements in compliance with IFRS requires management to make certain critical accounting estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the period reported.

**Critical Judgements**

The preparation of these interim financial statements requires management to make judgements regarding the going concern of the Company (discussed above), as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency for the Company has been determined to be the Canadian dollar.



**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

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**2. Basis of Presentation and Going Concern (Cont'd)****Significant Accounting Judgments and Estimates (Cont'd)**Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

*Deferred tax assets & liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

*Useful life of intangible assets*

The intangible asset is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and takes into consideration the anticipated life of the asset, the potential for technological obsolescence, and regulations.

**3. Significant Accounting Policies**

The accounting policies set out in the financial statements at June 30, 2020, have been applied consistently to all periods presented in these interim financial statements.

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

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**3. Significant Accounting Policies (Cont'd)****COVID-19 Estimation Uncertainty**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

**New standards adopted**

Effective July 1, 2020, the Company adopted the amendments that were issued by the International Accounting Standards Board on October 22, 2018, to IFRS 3 Business Combinations, which clarified the classification of whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of the amendment to IFRS 3 had no impact on the Company's condensed interim financial statements as at and for the three months ended September 30, 2020.

**4. Intangible assets**

On September 9, 2019, the Company issued 63,450,000 common shares with a fair value price of \$0.0338 per common share for a total fair value consideration of \$2,145,000, issued to Algo8 AI Private Limited, a Company incorporated in India and its associates including their designates, being the purchase and assignment of Intellectual Property comprising of development and creation of the work product related to geospatial artificial intelligence for enterprises. The issuance of shares is being recorded as an asset acquisition. This intellectual property amount of \$2,145,000 is estimated to have a useful life of 7 years and is being amortized on a straight-line basis.

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

**4. Intangible assets (Cont'd)**

	<b>Intellectual Property</b>	
<b>Cost:</b>		
Balance as at September 4, 2019	\$	-
Additions		2,145,000
<b>Balance as at June 30, 2020</b>	<b>\$</b>	<b>2,145,000</b>
Additions		-
<b>Balance as at September 30, 2020</b>	<b>\$</b>	<b>2,145,000</b>
<b>Accumulated amortization:</b>		
Balance as at September 4, 2019	\$	-
Amortization		247,822
<b>Balance as at June 30, 2020</b>	<b>\$</b>	<b>247,822</b>
Amortization		77,026
<b>Balance as at September 30, 2020</b>	<b>\$</b>	<b>324,848</b>
<b>Net book value:</b>		
<b>At September 30, 2020</b>	<b>\$</b>	<b>1,820,152</b>
<b>At June 30, 2020</b>	<b>\$</b>	<b>1,897,178</b>

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

**5. Capital Stock**

The Company is authorized to issue the following shares:

- Unlimited number of common shares

**a) Common shares**

The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

At September 30, 2020 and at June 30, 2020, the Company has 83,575,000 common shares issued and outstanding.

**b) Share issuances**

The Company did not issue any shares during the period ended September 30, 2020.

**During the period ended June 30, 2020**

- On September 4, 2019, the Company issued 11,550,000 common shares, as founders' shares, for \$1.
- On September 9, 2019, the Company issued 63,450,000 common shares for the purchase of intellectual property valued at \$2,145,000 (Note 4).
- On January 30, 2020, the Company issued 8,325,000 common shares at \$0.10 per share in private placements and raised \$832,500.
- On April 21, 2020, the Company issued 250,000 common shares at \$0.10 per share in private placements and raised \$25,000.

In conjunction with the above private placements, the Company incurred cash share issuance costs of \$61,900.

**c) Share subscription**

As of September 30, 2020, the Company had received cash in escrow for \$1,042,200, being subscription for 3,474,000 common shares at \$0.30 per share. Subscription funds represents cash held in escrow until the completion of a Going Public Transaction which refers to (i) an initial public offering by the Corporation; (ii) completion of a qualifying transaction with a Capital Pool Company on the TSX Venture Exchange; or (iii) a merger, amalgamation, reorganization, consolidation or plan of arrangement of the Corporation with a reporting issuer in Canada or a reporting company in the United States or a public entity in a jurisdiction outside of Canada and the United States) on terms determined by the board of directors of the Corporation (Note 9).

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

**6. Related Party Transactions**

Related parties include key management personnel, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Key management of the Company are members of the Board of Directors, the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) and the Chief Technology Officer (“CTO”).

Transactions with key management personnel not disclosed elsewhere in the financial statements include the following for the three months ended September 30, 2020:

	<b>September 30, 2020</b>
Management fees to the Executive Chairman	\$ 15,000
Management fees to the CEO	19,500
Management fees to the CFO	10,000
Total Management fees	44,500
Research and development fees to a company in which the CTO and director of the Company is also a director	4,000
Marketing fees to a company controlled by a child of the Executive Chairman	10,500
Consulting fees to a company controlled by a child of the Executive Chairman	7,500
Vehicle expense to the Executive Chairman and CEO	1,000
	\$ 67,500

At September 30, 2020, there was \$500 each due to the CEO and Executive Chairman and \$10,000 due to the CFO, included in accounts payable and accrued liabilities.

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

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**7. Financial Instruments**

The fair value of the Company's sales tax receivable and accrued liabilities approximates carrying value, due to their short-term nature. The Company's cash and restricted cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

**Financial risk management and objectives**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, and commodity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company manages its liquidity needs by carefully monitoring scheduled costs. Liquidity is measured in various time bands, on day to day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods. Funding for long term liquidity needs is based on the ability of the Company to successfully complete private placements.

As at September 30, 2020, the Company had sufficient cash of \$467,574 to settle current liabilities of \$49,358.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

*(a) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

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**7. Financial Instruments (Cont'd)***(b) Price risk*

The Company is not exposed to significant price risk as it does not possess investments in publicly traded securities.

*(c) Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in a foreign currency will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant currency risk as it is not actively dealing in foreign currency.

**8. Capital Management**

The Company considers its capital to be shareholders' equity, which is comprised of share capital and deficit, which as at September 30, 2020 totaled \$3,288,498. The Company's capital structure is adjusted based on the funds available to the Company such that it may continue to seek new opportunities. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The sources of future funds presently available to the Company are through the sale of equity capital of the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

**Loc8 Corp.**

Notes to Interim Condensed Financial Statements

September 30, 2020

(Unaudited- expressed in Canadian dollars)

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**9. Subsequent Events**Subscription for Shares

Subsequent to the period-end and up to the date of this report the Company has received an additional \$216,150 cash in escrow being subscription for 745,000 common shares at \$0.30 per share less commission fees of \$7,350 for the go-public transaction (see Note 5(c)).

Merger Transaction

Effective September 2, 2020, the Company entered into a reverse take-over agreement (the "Acquisition agreement"), with Aylen Capital Inc. ("Aylen") pursuant to which Aylen will acquire all of the issued and outstanding securities of the Company, as more particularly described below.

Pursuant to the Acquisition Agreement, Aylen will consolidate its issued and outstanding shares on a one (1) new share for four (4) old share basis (the "Consolidation").

Immediately following the Consolidation, Aylen will acquire all of the issued and outstanding securities of the Company from the Company's securityholders. Each shareholder of the Company will receive one (1) Aylen common share for each common share of the Company held. The Company will also issue 700,000 common shares as a finder's fees in connection with the completion of the Transaction. Upon completion of the Transaction, the resultant Company will change its name to "DeepSpatial Inc.", or such other name as may be determined. The combined entity (the "Resulting Issuer") will continue the business of the Company.

The Transaction is conditional upon, among other things:

- (i) The representations and warranties of each of Aylen and the Company, as set out in the Acquisition Agreement, being true and correct in all material respects at the closing of the Transaction;
- (ii) The absence of any material adverse change in the business of each of the parties;
- (iii) The parties receiving all requisite regulatory approval, including the approval of the Exchange, and any third-party approvals and authorizations;
- (iv) The Company and Aylen obtaining the requisite shareholder approvals for the Transaction; and
- (v) The Company completing a private placement financing for minimum aggregate gross proceeds of not less than \$1,000,000 at \$0.30 per share.