Blacklist Holdings Inc.

Condensed Interim Financial Statements

Three and nine months ended September 30, 2018

Expressed in United States Dollars

Blacklist Holdings Inc.
Condensed Interim Statements of Financial Position
Expressed in US dollars

	Notes	September 30, 2018	December 31, 2017
ASSETS		**(Unaudited)**	
Current assets			
Cash		$ 16,465	$ 13,618
Receivables	7	363,106	600,810
Prepaid	4	232,102	-
		611,673	614,428
Non-current assets			
Property and equipment	3	412,550	404,004
TOTAL ASSETS		**$ 1,024,223**	**$ 1,018,432**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	$ 926,497	$ 561,122
Loans payable	6	758,850	776,258
Current portion of vehicle loans	9	24,474	27,030
Convertible debentures	8	553,995	-
Obligation to issue convertible debentures	11	707,880	-
		2,971,696	1,364,410
Non-current liabilities			
Vehicle loans	9	95,216	63,223
TOTAL LIABILITIES		**3,066,912**	**1,427,633**
SHAREHOLDERS' EQUITY			
Share capital	10	146,058	130,976
Deficit		(2,188,747)	(540,177)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		**(2,042,689)**	**(409,201)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,024,223**	**$ 1,018,432**

Commitments (Note 9)
Subsequent events (Notes 1 and 11)

Approved and authorized for issue by the Board of Directors on February 26, 2019.

"John Gorst"
Director

"Austin Gorst"
Director

Blacklist Holdings Inc.
Condensed Interim Statements of Comprehensive Loss
Expressed in US dollars

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue					
Product sales	7	$ 67,431	$ 375,685	$ 1,265,151	$ 1,012,714
Equipment rental income	7	-	87,996	175,991	257,418
Royalty income	7	-	129,588	324,085	364,905
		67,431	**593,269**	**1,765,227**	**1,635,037**
Cost of goods sold		529,639	203,009	1,410,316	638,317
		(462,208)	390,260	354,911	996,720
Operating expenses					
Business development		243,199	24,307	315,688	144,462
Depreciation	3	22,814	7,059	69,693	21,177
Interest and finance charges	6, 9	37,826	8,379	82,854	35,857
Office and administration		114,532	66,406	277,440	146,891
Professional fees		53,553	5,835	78,557	27,469
Rent expense	7	5,008	22,831	37,508	86,165
Research and development		1,668	30,910	7,157	33,864
Salaries and wages		277,514	163,374	614,786	329,760
Share based payments	7, 10	2,053	-	15,075	-
Travel		54,310	22,628	99,281	55,098
Utilities		9,140	11,111	26,603	25,931
		(771,617)	(362,840)	(1,624,642)	(906,674)
Other items					
Gain on disposal of vehicle	3	5,612	-	5,612	-
Impairment of related party receivables	7	(258,286)	(81,662)	(384,451)	(133,087)
Loss and Comprehensive loss		**$(1,486,499)**	**$ (54,242)**	**$ (1,648,570)**	**$ (43,041)**
Loss per share – basic and diluted		**$ (0.19)**	**$ (0.01)**	**$ (0.21)**	**$ (0.01)**
Weighted average number of shares outstanding – basic and diluted		**8,009,816**	**7,497,000**	**8,008,658**	**7,497,000**

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

Blacklist Holdings Inc.
Condensed Interim Statement of Changes in Shareholders' Equity
Expressed in US dollars

	Share capital			
	Number of shares	**Amount**	**Deficit**	**Total**
Balance at December 31, 2016	7,497,000	$ 124,920	$ (211,863)	$ (86,943)
Net loss for the period	-	-	(43,041)	(43,041)
Balance at September 30, 2017	7,497,000	$ 124,920	$ (254,904)	$ (129,984)
Balance at December 31, 2017	**7,644,000**	**$ 130,976**	**$ (540,177)**	**$ (409,201)**
Shares issued for services rendered	365,999	15,082	-	15,082
Net loss for the period	-	-	(1,648,570)	(1,648,570)
Balance at September 30, 2018	8,009,999	$ 146,058	$ (2,188,747)	$ (2,042,689)

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

Blacklist Holdings Inc.
Condensed Interim Statements of Cash Flows
Expressed in US dollars

	Nine months ended September 30, 2018	2017
Operating activities		
Loss for the period	$ (1,648,570)	$ (43,043)
Adjustments for:		
Depreciation	69,693	21,177
Interest expense	66,188	35,857
Gain on disposal of vehicle	(5,612)	-
Impairment of related party receivable	384,451	133,087
Share-based payments	15,075	-
Changes in non-cash working capital items:		
Receivable	(146,740)	(316,779)
Accounts payables and accrued liabilities	298,407	348,260
Inventory	-	35,052
Prepaid	(232,102)	-
Net cash flows provided from (used by) operating activities	(1,199,210)	213,613
Investing activities		
Purchase of property, plant and equipment	(7,636)	(326,473)
Net cash flows used in investing activities	(7,636)	(326,473)
Financing activities		
Proceeds from loans payable	101,319	207,792
Repayment of loans payable	(133,229)	(112,416)
Repayment of vehicle loans	(20,272)	(14,575)
Convertible debentures	553,995	-
Obligation to issue convertible debentures	707,880	-
Net cash flows used in financing activities	1,209,693	80,801
Increase (decrease) in cash	2,847	(32,059)
Cash, beginning	13,618	26,542
Cash (bank indebtedness), end	**$ 16,465**	**$ (5,517)**
Supplemental cash flow information:		
Interest paid in cash during the period	$ 36,174	$ -
Reclassification of accounts payable to loans payable	$ 26,514	$ 50,943
Proceeds for loans payable through property, plant and equipment	$ -	$ 9,297

1. NATURE AND CONTINUANCE OF OPERATIONS

Blacklist Holdings Inc. (the “Company”) was incorporated on February 26, 2014, under the General Corporation Law of the State of Washington. The Company’s core business activities are specializing in sale of cannabis related hard goods (such as cartridges, applicators, pens, jars, etc.), licensing its intellectual property (“Licensed IP”) and leasing its equipment to processors.

The Company’s head office is located at 2915 S. M St., Tacoma, Washington, USA.

The Company executed a letter of intent with Skanderbeg Capital Advisors Inc. (“Skanderbeg”), whereby Skanderberg would acquire 100% of the issued and outstanding securities of the Company, in exchange for cash and securities of Skanderbeg. In consideration of the transaction, Skanderbeg shall or will cause a Canadian listed reporting issuer (“Pubco”) to issue 51,000,000 common shares of the Pubco to shareholders of the Company. Subject to the closing, the Company will issue financings in the amount no less than $3,250,000 as convertible debentures. On June 18, 2018, Skanderbeg executed an assignment and novation agreement with Zara Resource Inc. (“Zara”), a public company listed on the Canadian Stock Exchange (“CSE”), pursuant to which Skanderbeg assigned to Zara the rights and obligations of the letter of intent between Skanderbeg and the Company.

On June 18, 2018, the Company and Zara have entered into a Letter of Intent (“LOI”), pursuant to which Zara will acquire all of the issued and outstanding common shares of Blacklist in consideration for Zara common shares on a one-for-one basis (the “Transaction”). As a result of the Transaction, Blacklist will become a wholly owned subsidiary of Zara.

These condensed interim financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has incurred losses and it will require further financing to operate and further develop its business. The Company’s ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

These condensed interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by IASB. There have been no significant changes in judgement or estimates from those disclosed in the financial statements for the year ended December 31, 2017.

These condensed interim financial statements were authorized for issue by the Board of Directors on February 26, 2019.

Expressed in US dollars

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

Standards and interpretations not year adopted

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers"
This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases"
This new standard 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 annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

3. PROPERTY AND EQUIPMENT

	Motor Vehicles	Computer equipment	Furniture and fixtures	Leasehold improvements	Lab equipment	Total
Cost:						
At December 31, 2016	$ 78,537	$ 21,111	$ 21,559	$ 96,002	$ 243,854	$ 461,063
Additions	58,444	5,445	5,202	13,234	29,948	112,273
At December 31, 2017	136,981	26,556	26,761	109,236	273,802	573,336
Additions	64,991	5,084	837	17,974	8,649	97,535
Disposal	(19,296)	-	-	-	-	(19,296)
At September 30, 2018	$ 182,676	$ 31,640	$ 27,598	$ 127,210	$ 282,451	$ 651,575
Amortization:						
At December 31, 2016	$ 11,350	$ 2,598	$ 2,081	$ 11,717	$ 31,771	$ 59,517
Charge for the period	22,688	8,027	3,784	36,394	38,922	109,815
At December 31, 2017	34,038	10,625	5,865	48,111	70,693	169,332
Charge for the period	24,768	8,639	2,867	8,804	29,857	72,930
Eliminated on disposal	(3,237)	-	-	-	-	(3,237)
At September 30, 2018	$ 55,569	$ 19,264	$ 8,732	$ 56,915	$ 100,545	$ 239,025
Net book value:						
At December 31, 2017	$ 102,943	$ 15,931	$ 20,896	$ 61,125	$ 203,109	$ 404,004
At September 30, 2018	$ 127,107	$ 14,376	$ 18,866	$ 70,640	$ 181,561	$ 412,550

Expressed in US dollars

4. PREPAID EXPENSES

	September 30, 2018		December 31, 2017	
Prepaid expenses	$	32,102	$	100
Deposit		200,000		-
	$	232,102	$	100

On August 10, 2018, the Company executed a Letter of Intent (the "Zoots LOI") with a third party, pursuant to which the Company will acquire all of the issued and outstanding shares of the third party for cash and share consideration. The consideration will be paid as follows:

a) $200,000 upon the signing of the Zoots LOI (paid);
b) $200,000 upon 45 days after signing the Zoots LOI;
c) $200,000 upon 75 days after signing the Zoots LOI; and
d) Common shares in the capital of the Company at a fair value of $10,400,000.

In addition, the Company agreed to pay performance shares at revenue generating milestones.

5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	September 30, 2018		December 31, 2017	
Trade payables	$	856,542	$	498,758
Amounts due to related parties (Note 7)		66,500		54,500
Amounts due for vehicle loans (Note 8)		3,455		7,864
	$	926,497	$	561,122

6. LOANS PAYABLE

On December 31, 2016, the Company entered into a promissory note agreement with a director of the Company for the amount of $357,483 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, the Company entered into a revised promissory note agreement with the director for the amount of $353,219 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2018. As at September 30, 2018, the balance outstanding including accrued interest is $392,508 (December 31, 2017: $409,738).

During the year ended December 31, 2015, the Company issued a promissory note to a company related to a director of the Company for the amount of $9,274. The promissory note is interest bearing at 10.5% per annum, unsecured and due on demand. As at September 30, 2018, the balance outstanding including accrued interest is $11,324 (December 31, 2017: $11,670).

On December 31 2016, the Company entered into a promissory note agreement with a director of the Company for the amount of $216,002 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, the Company entered into a revised promissory note agreement with the director for the amount of $298,712 for the balance outstanding from expenses paid by the director and repayments issued by the Company during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2018. As at September 30, 2018, the balance outstanding including accrued interest is $337,720 (December 31, 2017: $317,108).

Expressed in US dollars

6. LOANS PAYABLE (continued)

During the year ended December 31, 2015, the Company issued a promissory note to a former director of the Company for the amount of $16,337. The promissory note is non-interest bearing, unsecured and due on demand. As at September 30, 2018, the balance outstanding including accrued interest is $9,809 (December 31, 2017: $9,809).

On October 31, 2017, the Company entered into a business loan and security agreement for the amount of $30,000. The note is interest bearing at 11.48% per annum, secured by all assets of the Company and due on October 31, 2018. As at September 30, 2018, the balance outstanding including accrued interest is $7,486 (December 31, 2017: $27,933).

A continuity of the loans payable is as follows:

	September 30, 2018	December 31, 2017
Balance, at the beginning of the year	$ 776,258	$ 637,474
Loans issued during the year	123,958	212,632
Interest expense	60,347	80,005
Repayments of loans payable	(201,713)	(153,853)
	$ 758,850	$ 776,258

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the six month period ended September 30, 2018 and for the year ended December 31, 2017 was as follows:

	September 30, 2018	December 31, 2017
Salaries and wages – CEO of the Company	$ 36,000	$ 25,831
Salaries and wages – directors of the Company	63,547	72,038
Salaries and wages – former director of the Company	-	28,855
Share based payments	13,465	3,028
	$ 113,012	$ 129,752

Accounts payable and accrued liabilities

As at September 30, 2018, the following is included in accounts payable in related to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

i. $21,500 (December 31, 2017: $21,500) owing to a director of the company for services rendered.

ii. $45,000 (December 31, 2017: $33,000) owing to a company related to a director of the Company for rent payments.

Loans payable

As at September 30, 2018, included in loans payable is $741,552 (December 31, 2017 - $748,325) owing to related parties (Note 6). In relation to the loans payable, during the period ended September 30, 2018, the Company recorded interest expense of $58,232 from related parties.

7. RELATED PARTY TRANSACTIONS (continued)

Accounts receivables

As at September 30, 2018, the following is included in accounts receivable in related to transactions with related parties:

i. $316,926 (December 31, 2017: $600,810) owing to a company related to a company jointly owned by the CEO and former CFO for all of the revenue incurred.

Transactions with related parties:

During the period ended September 30, 2018, the Company had product sales to a company jointly owned by the CEO and former CFO of $1,265,151 (September 30, 2017: $1,012,714).

On October 1, 2016, the Company entered into a commercial lease agreement with a company owned by a director of the Company for its head office. Under the agreement the Company is required to make lease payments for a term of 3 years (Note 8). During the period ended September 30, 2018, the Company recorded rent expense of $49,500 (September 30, 2017: $38,250) to the related party.

During the year ended December 31, 2015, the Company entered into an Asset Lease Agreement with a company jointly owned by the CEO and former CFO. Under the agreement, the Company leased its equipment for monthly fees of $10,000. Shortly after the execution of the agreement, both parties mutually filed amendments for fees payable when new equipment was added to the original leased equipment. During the period ended September 30, 2018, the Company had recognized equipment rental income of $175,991 (September 30, 2017: $257,418).

On January 1, 2016, the Company entered into Licensing Agreement with a company jointly owned by the CEO and former CFO (the “Licensee”). Under the agreement, the Company grants the Licensee a non-exclusive, non-transferrable, non-assignable royalty bearing license to reproduce, distribute, publicly display, and publicly perform the Licensed IP. As consideration of the license granted, the Licensee shall pay the Company royalty fees of 5% of its gross revenue for a period of three years. On January 1, 2017, the consideration was increased to be 10% of gross revenue. During the period ended September 30, 2018, the Company recognized royalty income of $324,085 (September 30, 2017: $364,905).

During the period ended September 30, 2018, the Company incurred $380,632 as expense paid on behalf of two companies controlled by the Company’s CEO (December 31, 2017: $191,120) in connection with the start-up of the businesses. The ability of these companies to repay the amounts owing is uncertain and therefore the amounts receivable have been impaired in full.

Equity

During the period ended September 30, 2018, the Company issued 326,785 common shares to directors of the Company for services rendered for a fair value of $13,465, recorded as share based payments.

Expressed in US dollars

8. CONVERTIBLE DEBENTURES

On July 6, 2018, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of USD $553,995 (CAD $735,000). The Convertible Debenture bears interest at 0% per annum, provided, however that if the LOI is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the LOI. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the LOI is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Transaction, the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into shares at CAD $0.035 per share.

For accounting purposes, the convertible debenture is considered a liability since the conversion feature is not "fixed for fixed" as the Company's functional currency is the US Dollar and is therefore considered an embedded derivative. However, the embedded derivate liability has no value, therefore, the convertible debenture is recorded at fair value of its proceeds received. The conversion into shares is also dependent on the closing of the Transaction, which is not within the control of the Company.

9. COMMITMENTS

Vehicle loans

The Company obtained financing for motor vehicles acquired. The loans are secured by the vehicle financed. The loans have terms ranging from 60 – 72 months and bear interest at 5.60% - 12.35%.

A continuity of the vehicle loans is as follows:

	September 30, 2018	December 31, 2017
Balance, at the beginning of the year	$ 90,253	$ 57,310
Loans issued during the year	64,991	48,444
Interest expense	5,841	7,993
Repayments of loans payable	(20,272)	(15,630)
Amounts included in accounts payable (Note 5)	281	7,864
	119,690	90,253
Current	24,474	27,030
Long-term	$ 95,216	$ 63,223

A schedule for the Company's future minimum principal payments over the term of the leases is as follows:

Year	Principal payments
2018	$ 7,979
2019	25,496
2020	28,394
2021	22,948
2022	23,652
2023	11,221
Total	$ 119,690

Expressed in US dollars

9. COMMITMENTS (continued)

Operating lease

The Company has obligations under operating lease for its head office, with a term of three years, expiring on August 31, 2019.

Year	Lease payments
2018	$ 33,000
2019	54,000
Total	$ 87,000

10. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of the following:

127,500,000 common shares with $0.0001 par value – voting, non-redeemable and noncumulative;

2,000,000 Preferred Stock with $0.0001 par value – non-voting and noncumulative;

2,000,000 Class A Convertible Preferred Stock with $0.0001 par value – voting, with stated value of $1.00, cumulative dividends at the rate per share of 7.5% per annum, and convertible at the option of the holder, at any time, into common shares at a conversion price of $1.00.

Common shares

During the six months ended September 30, 2018, the Company issued 365,999 common shares for services rendered for a fair value of $13,022, recorded as share based payments, of which 276,785 common shares were issued to directors of the Company.

11. SUBSEQUENT EVENTS

(a) Effective October 2018, the Company executed a forward stock-split of its issued and outstanding common shares on a 1 to 6.375 basis All references to common shares in the subsequent events notes have been adjusted to reflect this change.

(b) Subsequent to period ended September 30, 2018, the Company issued 747,497 common shares for services, of which 719,390 were issued to related parties.

(c) On October 2, 2018, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of CAD $1,200,000, of which USD $707,880 has been received during the period ended September 30, 2018. The Convertible Debenture bears interest at 0% per annum, provided, however that if the LOI is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the LOI. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the LOI is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Transaction, the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into shares at CAD $0.25 per share.

11. SUBSEQUENT EVENTS (continued)

(d) Subsequent to September 30, 2018, the Company entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for an aggregate principal amount of CAD$1,520,000. The Convertible Debenture bears interest at 0% per annum, provided, however that if the LOI is terminated in accordance with its terms, the Company shall pay interest at the rate of 9% per annum from the date that is the three month anniversary of the date of termination of the LOI. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the LOI is duly terminated pursuant to its terms, then October 18, 2019. Upon closing of the Transaction, CAD$270,000 and CAD$1,250,000 of the principal amount of this Convertible Debenture shall automatically, without any action on the part of the lender, convert into shares at CAD$0.25 and CAD$0.40 per share, respectively.

(e) On November 26, 2018, the Company closed a first tranche of its non-brokered subscription receipts ("Subscription Receipts") private placement offering by issuing 8,110,000 subscription receipts for gross proceeds of CAD $4,055,000. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures (the "Debentures") in the principal amounts of CAD$1,386,708. In addition, the Company also issued 2,000,000 shares at an issue price of CAD$0.50 to settle amounts owing to an arm's length third party equal to CAD$1,000,000.

Each Subscription Receipt was sold at an issue price of $0.50. Subject to the satisfaction of the Escrow Release Conditions (as defined below), each Subscription Receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one common share of Blacklist Finco (a wholly-owned subsidiary of the Company) (each a "Blacklist Finco Share"), provided that upon completion of the Transaction, which is expected to occur immediately following the issuance of such Blacklist Finco Share, each such Blacklist Finco Share will then be exchanged in accordance with the terms of the Transaction at an exchange ratio of one Blacklist Finco Share for one post-consolidated common share of the Zara ("Zara Share").

The gross proceeds from the issuance of Subscription Receipts have been deposited with Odyssey Trust Company (the "Subscription Receipt Agent"), in escrow (the "Escrowed Proceeds") pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement"). The Escrowed Proceeds will be released by the Subscription Receipt Agent to Blacklist Finco upon receipt of a notice (the "Release Notice") to the Subscription Receipt Agent from Blacklist Finco upon closing of the Transaction.

(f) On December 10, 2018, the Company closed a second tranche of its non-brokered subscription receipts private placement offering by issuing 6,170,146 subscription receipts for gross proceeds of CAD $3,085,073. Concurrent with the Subscription Receipts offering, the Company issued convertible debentures in the principal amounts of CAD $332,700. In addition, the Company also issued 459,390 shares at an issue price of CAD $0.50 to settle debts owing to certain officers and directors of the Company totaling CAD $229,695. The terms of the subscription receipts offering and convertible debentures are the same as note 10(c).

(g) On January 17, 2019, the Company entered into a secured promissory note agreement, whereby the Company promises to pay CAD $237,500. The secured promissory note is interest bearing at 18%, secured and due on March 1, 2019.

11. SUBSEQUENT EVENTS (continued)

(h) On January 30, 2019, the Company entered into a grid promissory note, whereby the Company promises to pay CAD$3,250,000 and an additional fee of CAD$260,000. For the funds received, the Company enters into a subordination agreement to a proposed bridge loan from an unrelated third party on substantially the same terms. Concurrently, the Company entered into a Bridge Loan agreement (the “Bridge Loan”), whereby the Company will receive a loan of CAD$3,500,000. The Bridge Loan is secured, matures one year from the date closing date and carries an annual interest rate of 17%, compounded monthly, payable in arrears. The Bridge Loan has a minimum interest payment $162,225 (CAD$210,000), should the principal be repaid prior to the maturity date. In connection with the loan, a financing fee of $81,112 (CAD$105,000) will be paid and 1,500,000 share purchase warrants will be issued. Each warrant is exercisable at CAD$0.55 per share for a period of one year from the date of issuance.