

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)

**Condensed Consolidated Interim Financial Statements
For the Nine Months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)**

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Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these 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 auditors

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
Condensed Consolidated Interim Statements of Financial Position
September 30, 2020 and December 31, 2019
(Expressed in Canadian Dollars)

	September 30, 2020	December 31, 2019
Assets		
Current		
Cash	\$ 779	\$ 100,767
Accounts receivable, net	-	597,765
GST receivable	32,109	102,915
Prepays	2,867	35,738
	\$ 35,755	\$ 837,185
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,533,396	\$ 3,267,661
Loan payable (note 12)	93,493	1,091,936
Bank debts (note 11)	-	10,890,042
Other liabilities (note 9)	704,901	559,931
	2,331,790	15,809,570
Derivative Liability (notes 6(c))	203,979	48,641
	2,535,769	15,858,211
Shareholders' Equity (Deficiency)		
Share Capital (note 6)	22,083,210	20,296,209
Translation Reserve	(148,622)	(140,149)
Reserves (note 6)	1,876,188	1,680,811
Deficit	(26,310,790)	(36,881,535)
Equity (Deficiency) Attributable to Owners of the Company	(2,500,014)	(15,044,664)
Non-Controlling Interest (note 10)	-	23,638
	(2,500,014)	(15,021,026)
	\$ 35,755	\$ 837,185

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

Approved on behalf of the Board:

"Jesse Dylan"

.....
Jesse Dylan, Director

"Chris Bradley"

.....
Chris Bradley, Director

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

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue	\$ -	\$ 751,971	\$ -	\$ 8,447,523
Direct Expenses	-	(542,731)	-	(5,257,132)
	-	209,240	-	3,190,391
Operating Expenses				
Amortization	-	59,413	-	699,257
Bad debts	-	27,021	-	10,912,449
Financing costs	-	399,590	432,355	670,187
General and administrative (note 13)	566,859	1,979,927	1,386,685	5,196,231
Marketing and sales	-	673,822	3,361	1,463,410
Share-based compensation	-	21,273	-	220,278
		3,161,046		19,161,812
Operating Profit (Loss)	(566,859)	(2,951,806)	(1,822,401)	(15,971,421)
Other Income	-	-	39,304	-
Recovery of bad debts (note 15)	946,306	-	948,894	-
Acquisition-related expenses	-	(66,875)	-	(109,875)
Write-offs (note 14)	59,245	-	437,094	(6,658,478)
Foreign exchange gain (loss)	(6,391)	176,877	(76,776)	(269,153)
Gain (loss) on forgiveness of debt (note 11,12)	10,330,969	(491,261)	11,193,934	(595,368)
Fair value change of derivative liability (note 6(c))	(142,610)	-	(149,304)	-
Income (Loss) Before Income Tax	\$ 10,620,660	\$ (3,333,065)	\$ 10,570,745	\$ (23,604,295)
Net Income (Loss) Attributed to:				
Owners of the Company	\$ 10,620,660	\$ (3,332,025)	\$ 10,570,745	\$ (23,608,062)
Non-controlling interest	-	(1,040)	-	3,767
	\$ 10,620,660	\$ (3,333,065)	\$ 10,570,745	(23,604,295)
Translation adjustment	(30,235)	3,231	(8,473)	(365,218)
Comprehensive Income (Loss) for the Period	\$ 10,590,425	\$ (3,329,834)	\$ 10,562,272	\$ (23,969,513)
Comprehensive Income (Loss) Attributed to:				
Owners of the Company	\$ 10,590,425	\$ (3,328,794)	\$ 10,562,272	\$ (23,973,280)
Non-controlling interest	-	(1,040)	-	3,767
Basic and Diluted Income (Loss) Per Share	\$ 0.60	\$ (0.04)	\$ 0.88	\$ (0.29)
Weighted Average Number of Common Shares Outstanding	17,548,765	88,862,663	11,946,594	81,809,356

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

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Translation Reserve	Deficit	Non-Controlling Interest	Total
	Number	Amount					
Balance, December 31, 2018	7,734,109	17,805,727	1,448,294	325,479	(11,986,302)	22,660	7,615,858
Shares issued from private placement	1,096,250	2,192,500	-	-	-	-	2,192,500
Share issuance costs	-	(221,158)	-	-	-	-	(221,158)
Warrants issued from private placement	-	(489,325)	489,325	-	-	-	-
Agents' options	-	(81,256)	81,256	-	-	-	-
Shares issued for options exercised	36,250	72,500	-	-	-	-	72,500
Share-based compensation	-	-	220,278	-	-	-	220,278
Cumulative translation agreement	-	-	-	(365,218)	-	-	(365,218)
Warrants exercised	198,394	516,995	-	-	-	-	516,995
Net loss for the period	-	-	-	-	(23,608,062)	3,767	(23,604,295)
Balance, September 30, 2019	9,065,003	\$ 19,795,983	\$ 2,239,153	\$ (39,739)	\$ (35,594,364)	\$ 26,427	\$ (13,572,540)
Balance, December 31, 2019	9,040,003	\$ 20,296,209	\$ 1,680,811	\$ (140,149)	\$ (36,881,535)	\$ 23,638	\$ (15,021,026)
Shares issued for debt settlement (note 6 (b))	1,119,551	698,878	-	-	-	-	698,878
Shares issued from private placement	12,177,450	1,217,745	-	-	-	-	1,217,745
Share issuance costs	-	(71,745)	-	-	-	-	(71,745)
Finders' warrants	-	(57,877)	57,877	-	-	-	-
Settlement warrants issued for bank loan settlement	-	-	137,500	-	-	-	137,500
Cumulative translation adjustment	-	-	-	(8,473)	-	-	(8,473)
Disposition of non-controlling interests upon wind up a subsidiary (note 10)	-	-	-	-	-	(23,638)	(23,638)
Net income for the period	-	-	-	-	10,570,745	-	10,570,745
Balance, September 30, 2020	22,337,004	\$ 22,083,210	\$ 1,876,188	\$ (148,622)	\$ (26,310,790)	\$ -	\$ (2,500,014)

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

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
Condensed Consolidated Interim Statements of Cash Flows
Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Operating Activities		
Net Income (loss) for the period	\$ 10,570,745	\$ (23,604,295)
Items not involving cash		
Amortization	-	625,133
Accrued interest	432,355	41,400
Bad debts (recovery)	(948,894)	10,929,107
Share-based compensation	-	220,278
Transaction costs	-	-
Loss (gain) on debt settlement	(11,193,934)	595,368
Fair value change in derivative liability	149,304	-
Write offs	(437,094)	6,658,478
Foreign exchange loss	(3,833)	255,977
	(1,431,351)	(4,278,554)
Changes in non-cash working capital		
Accounts receivable	572,412	3,763,851
GST receivable	(32,109)	106,924
Prepays	(1,071)	20,739
Accounts payable and accrued liabilities	328,067	(3,396,045)
Other liabilities	219,970	-
Interest paid	(4)	-
Cash Used in Operating Activities	(344,086)	(3,783,085)
Investing Activities		
Purchase of intangibles	-	(26,900)
Cash Used in Investing Activities	-	(26,900)
Financing Activities		
Proceeds from share issuance, net of issuance costs	1,146,000	2,585,838
Loan payable	(901,902)	-
Amounts drawn from credit facility	-	679,056
Share issued for corporate finance fee	-	(25,000)
Cash Provided by Financing Activities	244,098	3,239,893
Foreign Exchange Effect on Cash	-	(250,288)
Outflow of Cash	(99,988)	(820,379)
Cash, Beginning of Period	100,767	781,260
Cash, End of Period	\$ 779	\$ (39,119)

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

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
Notes to the Condensed Consolidated Interim Financial Statements
Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Aquarius AI Inc. (formerly Good Life Networks Inc.) (the "Company" or "Aquarius") was incorporated under the Business Corporations Act on August 17, 2011.

Effective January 28, 2018, the Company closed its qualifying transaction (the "Transaction") with Good Life Networks Inc. ("GLN"), a Vancouver-based, digital media private company. The Transaction was completed by way of a share exchange pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (British Columbia) (the "Arrangement"), which included the amalgamation of GLN and Exito Energy II Inc. ("Exito") to form the Company as the resulting issuer. The Company continued the business of GLN, as described below. The transaction was considered a reverse takeover ("RTO") since the legal acquiree is the accounting acquirer, as the former shareholders of GLN obtained a controlling interest of the resulting issuer after the completion of the Transaction.

The Company changed its name from Good Life Networks Inc. to Aquarius AI Inc. on November 29, 2019. The trading ticker symbol is "AQUA". The Company continues to trade on the Frankfurt Stock Exchange under the stock symbol "4G5"

The Company is a marketing technology business that is currently repositioning to focus on customer acquisition and using technology to generate revenues in the online gaming, gambling and betting space. The principal office of the Company is located at 595 Howe Street 10th floor, Vancouver, BC V6C 2T5, Canada.

On July 8, 2020, the Company consolidated its common shares on the basis of one post-consolidated common share for every ten pre-consolidated common shares held. The 101,595,539 pre-consolidated common shares issued and outstanding were adjusted to 10,159,555 post-consolidated common shares. All share, per share, stock option, share purchase warrant and other share information has been retroactively presented on a post-consolidated basis. (See note 15(a)).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the period ended September 30, 2020, the Company had a net income of \$10,562,272 and cash outflows from operating activities of \$344,086 and as at September 30, 2020, has an accumulated deficit of \$26,310,790.

The Company has no revenue during the nine months ended September 30, 2020 and does not have sufficient cash to meet its administrative overhead, service its obligations or maintain its interests. Currently, based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations beyond approximately twelve-month period. Management's plan is to actively secure sources of funds, including possible equity and debt financing options, while at the same time focus on exercising careful cost control to sustain operations.

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The Company's ability to continue its operations and to realize its assets at their carrying values are dependent upon obtaining additional financing sufficient to cover its operating costs. Further, the Company's ability to continue as a going concern is dependent upon the successful results from its activities and its ability to attain profitable operations and generate funds therefrom and/or to raise equity capital or borrowings sufficient to meet current and future obligations, none of which is in any way certain that the Company can achieve. The Company has now started the process of repositioning its technology that may provide opportunities for monetization. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

If the going concern basis was not appropriate for these consolidated financial statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used on the unaudited consolidated statements of financial positions. Such adjustments could be material which would significantly impact the financial statements and the Company's ability to operate.

Since March 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

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended December 31, 2019 of Aquarius AI Inc. These condensed consolidated interim financial statements do not include all the disclosures required for the annual audited financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 30, 2020.

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
Notes to the Condensed Consolidated Interim Financial Statements
Nine Months Ended September 30, 2020 and 2019
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(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments measured at fair value. These consolidated financial statements have prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars and the Company and its subsidiaries' functional currency is US dollars.

(c) Consolidation

These condensed consolidated interim financial statements include accounts of the Company and the following controlled entities at September 30, 2020 and December 31, 2019:

	Relationship	Percentage
Good Life Networks USA Inc.**	Subsidiary	60%
Lighthouse Digital Inc.	Subsidiary	100%
495 Communications, LLC*	Subsidiary	100%
ImpressionX Inc.*	Subsidiary	100%

* The Company acquired 495 Communications, LLC ("495") and ImpressionX Inc. ("ImpressionX") on December 17, 2018. ImpressionX was dissolved on December 10, 2019. 495 is in the progress of dissolution.

** Good Life Networks USA Inc. ("GLN US") was dissolved on September 17, 2020.

All intercompany balances and transactions are eliminated on consolidation. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

(d) Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates include:

- (i) Share-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model ("Black - Scholes") utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

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- (ii) Useful lives of intangible assets – Following initial recognition, the Company carries the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.
- (iii) Recoverability of the carrying value of intangible assets requires management to determine whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of marketing and sales data, as well as the Company's financial ability to continue marketing and sales activities and operations.

Significant areas requiring the use of judgments include:

- (i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its platform development and working capital requirements.
- (iii) The application of the Company's accounting policy for intangible asset capitalization requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Assumptions may change if new information becomes available. The Company assesses at each reporting date if the intangible asset has indicators of impairment. In determining whether the intangible is impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.
- (iv) Research and development expenditures. The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.
- (v) The Company records expected credit losses ("ECL") related to accounts receivable that are considered to be uncollectable. The ECL is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to those factors could impact the ECL and the provision for bad debts.

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- (vi) The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.
- (vii) Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.
- (viii) Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash outflow required to settle the obligation. The Company is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.
- (ix) Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.
- (x) Contingent consideration and the allocation of fair value of assets acquired. The determination of fair value of assets acquired and contingent consolidation requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets acquired require the most judgment and include estimates of future cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

- (a) Adoption of new pronouncements

The Company has adopted the following amendments to existing standards on January 1, 2020.

AQUARIUS AI INC. (FORMERLY GOOD LIFE NETWORKS INC.)
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Amendments to IFRS 3, Business Combinations, improve the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

Definition of Material (Amendments to IAS 1, Presentation of Financial Statements, ["IAS 1"] and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ["IAS 8"]) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

The amendments listed above did not have a significant impact on the Company's financial statements.

(b) New pronouncements to be adopted

The following amendments to a standard have been issued and are applicable to the Company for its annual periods beginning on January 1, 2022 and thereafter, with an earlier application permitted.

Amendments to IAS 1, Presentation of Financial Statements, clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company is currently assessing the impact of adopting these amendments on its financial statements.

4. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified at fair value through profit and loss ("FVTPL"); accounts receivable is classified at amortized cost; and accounts payable and accrued liabilities, loan payable, bank debts and other liabilities are classified at amortized cost. The carrying values of these instruments, other than bank debts, approximate their fair values due to their short term to maturity. The carrying value of bank debts approximates fair value as they were at market rates of interest. Contingent consideration and derivative liability are classified at FVTPL using level 3 of the fair value hierarchy.

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The Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major Canadian financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto is \$779 (December 31, 2019 - \$100,767).

With respect to its accounts receivable, the Company assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to accounts receivable and maximum exposure thereto is \$nil (December 31, 2019 - \$597,765). Accounts receivable are shown net of provision of credit losses of \$nil (December 31, 2019 - \$nil).

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At September 30, 2020, the Company has \$779 (December 31, 2019 - \$100,767) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of \$1,533,396 (December 31, 2019 - \$3,267,661), and other liabilities of \$704,901 (December 31, 2019 - \$559,931) are due within three to six months. Loan payable of \$93,493 (December 31, 2019 - \$1,091,936) are due within twelve months.

The Company manages its liquidity risk by raising additional funds through equity or debt financing to fund its current liabilities and operations.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises two types of risk: interest rate and foreign currency risk.

(i) Interest rate risk

The Company is exposed to floating interest rate risk related to its bank debts.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company also exposed to foreign currency risk that options and warrants that have exercise price which is different from its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

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(Expressed in Canadian Dollars)

As at September 30, 2020 and December 31, 2019, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	September 30, 2020	December 31, 2019
	CAD\$	CAD\$
Cash	779	25,153
Accounts receivable	-	597,765
Accounts payable and accrued liabilities	(1,533,065)	(1,223,439)
Loans payable	(93,493)	(1,091,936)
Other liabilities	(704,901)	(559,931)
	(2,330,680)	(2,252,388)

A 10% (December 31, 2019 - 10%) change in the US dollar against the Canadian dollar at September 30, 2020 would result in a change of approximately \$233,000 (December 31, 2019 - \$225,000) in comprehensive income (loss).

5. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity (deficiency) and debt obligations. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern, to further develop its business and ensure compliance with covenants of any applicable credit facility and other financing facilities. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals.

The Company manages the capital structure and makes adjustments to it depending on economic conditions and the rate of anticipated expenditures. The Company arranged credit facilities with a Canadian financial institution to maintain operations and future acquisitions. The Company may issue shares or seek debt or streaming financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements, except for financial covenants associated with its credit facilities.

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

During the nine months ended September 30, 2020

500,000 common share purchase warrants were issued to the Company's secured lender in full settlement of outstanding bank loan of \$10,754,619 and its accrued interest together with the cash payments of \$825,000. Each settlement warrant shall be exercisable into one common share of the Company for 24 months at a price of \$0.275 per share. The settlement warrants were valued using the Black-Scholes model resulting in fair value of \$137,500.

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On July 30, 2020, the Company completed a private placement for gross proceeds of \$1,332,745 through the issuance of 13,327,450 units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant shall be exercisable into one common share for 24 months at an exercise price of \$0.15 per share. Subsequently, 1,150,000 units were cancelled by an investor. Share information has been retroactively adjusted and presented as at September 30, 2020.

The Company paid \$31,745 cash commission and issued 253,956 finders' warrants to purchase common shares at \$0.15 per share until July 30, 2022. The finders' warrants were valued using the Black-Scholes model resulting in fair value of \$57,877.

219,551 common shares were issued at a price of \$2.50 per share for the debt settlements of an aggregate of \$548,878 in outstanding debt with two arm's length creditors.

750,000 common shares were issued in full settlement of Lerna and Lernablabs loan. The fair value of the 750,000 common shares were determined at \$75,000.

150,000 common shares were issued at a deemed price of \$0.50 (equating to \$75,000) to the former owner of 495 in full settlement of outstanding loan payable of \$1,035,010 and its accrued interest together with the cash payments of USD \$125,000.

During the year ended December 31, 2019

36,250 options were exercised at a price of \$2.00 per option for proceeds of \$72,500, and 177,060 options were exercised at a price of \$2.50 per option for proceeds of \$442,651.

21,333 warrants were exercised at a price of \$3.46 per warrant for proceeds of \$73,812.

On July 15, 2019, the Company completed a private placement for gross proceeds of \$2,117,500 through the issuance of 1,058,750 units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant shall be exercisable into one common share for 24 months at an exercise price of \$3.50 per share.

The Company paid \$195,625 cash commission and issued 12,500 units at \$2.00 as corporate finance fees and issued 52,838 agents' options to purchase common shares at \$2.00 per share until July 15, 2021. The agent's options were valued using the Black-Scholes model resulting in fair value of \$81,256 which was recorded as share issuance costs.

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(c) Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2018	899,371	\$ 2.70
Issued	873,896	3.13
Exercised	(21,333)	3.46
Outstanding, December 31, 2019	1,751,934	\$ 2.92
Expired	(401,076)	3.46
Expired	(535,625)	3.50
Granted	6,088,725	0.10
Granted	253,956	0.15
Granted	500,000	0.275
Outstanding, September 30, 2020	7,657,914	\$ 0.34

The following warrants were outstanding at September 30, 2020:

Grant Date	Expiry Date	Exercise Price	Number of Warrants	Exercisable
January 26, 2018	January 26, 2023	\$ 1.88	120,500	120,500
December 18, 2018	December 18, 2020	\$ 3.40	65,000	65,000
December 18, 2018	December 18, 2023	\$ 1.84	291,462	
July 22, 2019	July 22, 2024	\$ 3.66	119,075	119,075
July 22, 2019	July 22, 2024	\$ 1.94	219,196	219,196
July 30, 2020	July 30, 2022	\$ 0.10	6,088,725	6,088,725
July 30, 2020	July 22, 2022	\$ 0.15	253,956	253,956
August 17, 2020	August 17, 2022	\$ 0.275	500,000	500,000
			7,657,914	7,366,452

The weighted average contractual life of warrants as at September 30, 2020 is 1.97 years (December 31, 2019 – 1.97 years).

On July 30, 2020, the Company granted 253,956 finders' warrants in connection with the private placement. All finders' warrants are exercisable at \$0.15 per share until July 30, 2022. The fair value of these warrants were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.26%
Expected term (in years)	2
Estimated dividend yield	0%
Weighted-average estimated volatility	261.63%

Commented [QU1]: Why are these not exercisable?

Commented [Y2R1]: I remembered this was corrected by Smythe, the auditor during 2019 audit. I think there is special term for earn-out warrants.

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On August 17, 2020, the Company granted 500,000 settlement warrants in connection with full settlement of bank loan. Each settlement warrant shall be exercisable into one common share of the Company for 24 months at a price of \$0.275 per share until August 17, 2022. The fair value of these warrants were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

All finders' warrants are exercisable at \$0.15 per share until July 30, 2022. The fair value of these options were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.26%
Expected term (in years)	2
Estimated dividend yield	0%
Weighted-average estimated volatility	261.45%

Some of the Company's warrants with a \$CAD exercise price have been recognized as a derivative liability given the functional currency of the Company is the US\$, as they did not meet the "fixed-for-fixed" criteria. The following is a summary of the Company's warrant derivative liabilities as at September 30, 2020 and December 31, 2019:

Balance, December 31, 2018	\$	555,058
Warrants issued in for earn-out		554,449
Change in fair value of derivative liability		(1,037,256)
Functional currency translation adjustment		(23,610)
Balance, December 31, 2019	\$	48,641
Change in fair value of derivative liability		150,098
Functional currency translation adjustment		5,240
Balance, September 30, 2020	\$	203,979

The fair value of the derivative liabilities as at September 30, 2020 was determined using the following assumptions:

- Risk-free interest rate	0.35%
- Expected term (in years)	5
- Estimated dividend yield	0%
- Weighted-average estimated volatility	254.44%

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(d) Stock Options

Options transactions and the number of options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2018	1,052,506	\$ 2.30
Option Exercised	(213,310)	2.42
Forfeited	(346,500)	2.22
Expired	(38,750)	2.00
Granted	52,838	2.00
Outstanding, December 31, 2019	506,784	\$ 2.30
Expired	(77,446)	2.50
Outstanding, September 30, 2020	429,338	\$ 2.27

When the Company issues stock options, it records a share-based compensation in the year or period which the options are granted and/or vested. The expense is estimated using the following assumptions. Due to the lack of historical pricing information for the Company, the expected volatility is based on an average of historical prices of a comparable group of companies within the same industry. The risk-free interest rate is based on yield curves on Canadian government zero coupon bonds with a remaining term equal to the expected life of the stock options. The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Based on the best estimate, management applied the estimated forfeiture rate of 0%.

On July 15, 2019, the Company granted 52,838 agent's option in connection with the private placement. All agent's options are exercisable at \$2.00 per share until July 15, 2021. The fair value of these options were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.59%
Expected term (in years)	2
Estimated dividend yield	0%
Weighted-average estimated volatility	168.03%

For the nine months period ended September 30, 2020, the Company recognized share-based compensation of \$nil (September 30, 2019 - \$220,278) relating to the stock options that vested during the period.

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The following options were outstanding at September 30, 2020:

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
January 30, 2018	January 30, 2023	\$ 2.50	302,500	302,500
December 18, 2018	December 31, 2023	\$ 1.50	74,000	74,000
July 15, 2019	July 15, 2021	\$ 2.00	52,838	52,838
			429,338	429,338

The weighted average contractual life for the remaining options as at September 30, 2020 is 2.30 years (December 31, 2019 – 2.60 years).

7. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2020, the Company paid wages and benefits of \$84,430 (2019 - \$Nil) to companies controlled by directors/officers and family members of directors/officers.

As at September 30, 2020, included in accounts payable and accrued liabilities was \$181,368 (December 31, 2019 - \$27,255) owing to officers and directors. The amounts due to or from related parties are without stated terms of repayment or interest and are unsecured.

As at September 30, 2020, included in other liabilities was \$219,970 (December 31, 2019 – \$Nil) owing to a company controlled by directors/officers. The amounts due to or from related parties are without stated terms of repayment or interest and are unsecured (note 9).

The Company's directors/officers acquired 1,000,000 units pursuant to the private placement which was taken place on July 30, 2020. The issuance of units is considered to be a related party transaction within the meaning of TSX Venture Exchange Policy (note 6(b)).

In 2018, the Company acquired certain patents from a company controlled by an officer of the Company in the amount of \$625,000, which remains unpaid as at September 30, 2020 and is included in accounts payable and accrued liabilities.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the fair value of the consideration paid.

Key management compensation

The Company's key management consist of executive officers and directors:

The compensation recorded to key management personnel during the nine months ended September 30, 2020 and 2019 were as follows:

	Nine Months Ended September 30,	
	2020	2019
Salaries and short-term employee benefits	\$ 562,952	\$ 1,712,464
Share-based compensation	\$ -	\$ 151,931

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8. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment: digital branding and advertising. As at September 30, 2020, the Company earned \$Nil (2019 - \$7,695,552) revenue from United States customers. The Company's long-term assets located in United States were fully impaired as at December 31, 2019.

9. OTHER LIABILITIES AND CONTINGENCIES

	September 30, 2020	December 31, 2019
Legal fees – others	\$ 434,931	\$ 434,931
Settlement of Lerna and Lernalabs	-	75,000
Due to a related party	219,970	-
Obligation to issue shares	50,000	50,000
	\$ 704,901	\$ 559,931

Lerna and Lernalabs

In July 2019, the Company entered into a settlement agreement with Lerna and Lernalabs pursuant to which the Company agreed to pay to Lerna and Lernalabs the sum of US \$650,000 in full and final settlement, to be paid in deferred instalments with the final payment due December 19, 2019. The Company made the first instalment payment of US \$100,000 during the year ended December 31, 2019 but failed to make additional payments and was therefore subject to an interest penalty of US \$100,000. As at December 31, 2019, the amount of \$851,695 (US \$650,000) remains payable. On January 20, 2020, the Company entered into an amended settlement agreement with Lerna and Lernalabs pursuant to which the Company agreed to issue 750,000 common shares to Lerna and Lernalabs in full settlement of the amount owing of \$851,695. In addition, a further 185,000 common shares owned by an officer of the Company were transferred to another officer of the Company. The fair value of the 750,000 common shares was determined to be \$75,000. The liability as at December 31, 2019 was reduced to \$75,000.

The shares were issued on June 12, 2020 together with other debt settlement. As at September 30, 2020, Lerna and Lernalabs has been fully settled. A payable of \$434,931 remains outstanding which is due to the lawyers responsible for negotiating the various agreements with Lerna and Lernalabs.

10. NON-CONTROLLING INTEREST

The Company 60% owned subsidiary, Good Life Network USA Inc. ("GLN US"), was dissolved on June 17, 2020. As at September 30, 2020, the non-controlling interest in GLN US was reduced to \$Nil.

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11. BANK DEBT

In August 2020, the Company reached an agreement with the Bank to settle all outstanding debt in exchange of (i) 500,000 common share purchase warrants (the "Settlement Warrants") of the Company; and (ii) a cash payment of \$825,000. Each Settlement Warrant is exercisable into one common share of the Company at a price of \$0.275 per share for a period of 24 months from the date of issue. As at September 30, 2020, the debt was definitively extinguished upon the issuance of the Settlement Warrants and the completion of the cash payment on August 17, 2020. A gain of \$10,330,969 from settlement of debt was recognized in the statement of comprehensive income (loss).

12. LOAN PAYABLE

The Company signed a promissory note agreement related to the acquisition of 495 for \$1,035,010. The loan is repayable on or before February 1, 2019. The loan will begin accruing interest at a rate of 6% per annum in the event the principal is not repaid on the due date. The loan is unsecured.

On April 24, 2020, the Company entered into a mutual release agreement with the former owner of 495 in full settlement of outstanding loan payable of \$1,035,010 and its accrued interest. Pursuant to the agreement, the Company agreed to pay the seller the equivalent of USD \$125,000 in four installments:

- i) USD \$25,000 by June 1, 2020 (paid);
- ii) USD \$25,000 by September 1, 2020 (paid);
- iii) USD \$25,000 by December 1, 2020 (unpaid);
- iv) USD \$50,000 by March 1, 2021 (unpaid); and
- v) issuance of 150,000 common shares at a deemed price of \$0.50, equating to \$75,000 (issued).

As at September 30, 2020, the outstanding balance is \$93,493 (December 31, 2019 - \$1,091,935), including interest payable of \$nil as at September 30, 2020 (December 31, 2019 - \$56,926). A gain of \$862,965 from settlement of debt was recognized in the statement of comprehensive income (loss).

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Nine Months Ended September 30,	
	2020	2019
Office, software and general	\$ 167,527	\$ 725,559
Accounting, legal and audit	144,658	693,228
Consulting	703,369	1,644,383
Management fees	214,286	602,094
Insurance	21,990	52,978
Rental	1,470	141,475
Travel	6,033	-
Wages and salaries	127,352	1,336,514
Total	\$ 1,386,685	\$ 5,196,231

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14. IMPAIRMENT AND WRITE-OFFS

The Company has impaired and written off the following during the nine months ended September 30, 2020 and 2019:

	2020	2019
Intangible assets	\$ -	\$ 9,860,113
Goodwill related to 495	-	7,792,864
Goodwill related to ImpressionX	-	2,292,733
Dissolution of GLN US	(377,849)	-
Change in fair value of contingent consideration	-	(12,208,501)
Other payables	-	(855,134)
Prepays and deposits	(59,245)	2,591,897
Deferred income taxes	-	(2,815,494)
Total	\$ (437,094)	\$ 6,658,478

15. BAD DEBTS RECOVERY

During nine months period ended September 30, 2020, the Company recognized net bad debts recovery of \$948,894 in the consolidated statements of comprehensive income (loss). The amount includes uncollectable trade receivables of \$25,353 and GST receivable of \$102,915, offsetting by \$1,077,162 trade payables that the Company is not liable for.

16. SUBSEQUENT EVENTS

The Company settled an aggregate debt of \$101,331 with the issuance of 1,013,311 shares at a deemed price of \$0.10 per share on October 1, 2020.

On November 4, 2020 pursuant to a warrant exercise the Company issued 250,000 shares at \$0.15 for gross proceeds of \$37,500.

On November 10, 2020 pursuant to a warrant exercise the Company issued 100,000 shares at \$0.15 for gross proceeds of \$12,500.