

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**FOR**

**AN ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF  
TORINO POWER SOLUTIONS INC.**

**DATED AS OF FEBRUARY 24, 2020**

*NEITHER THE CANADIAN SECURITIES EXCHANGE NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY  
PASSED UPON THE MERITS OF THE TRANSACTIONS DESCRIBED IN THIS JOINT MANAGEMENT INFORMATION CIRCULAR.*

**TORINO POWER SOLUTIONS INC.**

**7934 Government Road  
Burnaby, British Columbia  
V5A 2E2**

**NOTICE OF ANNUAL AND SPECIAL MEETING**

NOTICE IS HEREBY GIVEN THAT an annual and special meeting of the shareholders (the “**TPS Meeting**”) of Torino Power Solutions Inc. (“**TPS**”) will be held at 650 West Georgia Street, Suite 2700, Vancouver, British Columbia V6B 4N7 on March 31, 2020 at the hour of 10:00 a.m. (Vancouver time), for the following purposes:

1. to receive and consider the audited financial statements of TPS for the year ended December 31, 2019, together with the report of the auditors thereon;
2. to set the number of directors of TPS at four (the “**TPS Board Resolution**”);
3. to elect directors of TPS (the “**TPS Director Election Resolution**”);
4. to appoint the TPS auditor and to authorize the directors to fix their remuneration (the “**TPS Auditor Resolution**”);
5. to consider and, if thought advisable, approve, with or without variation, an ordinary resolution (the “**TPS Fundamental Change Resolution**”) authorizing the business combination among TPS, 2733668 Ontario Inc. (“**TPS Subco**”) and KABN Systems North America Inc. (“**KABN**”) (the “**Business Combination**”) on the terms and subject to the conditions contained in a Business Combination Agreement dated as of January 13, 2020 between TPS, TPS Subco and KABN, a copy of which is attached as Schedule “F” to the Information Circular, all as more particularly set forth in the accompanying management information circular of TPS dated February 24, 2020 (the “**Information Circular**”), substantially in the form of resolution set forth in Schedule “A” to the Information Circular; and
6. to consider and, if thought advisable, approve with or without variation, an ordinary resolution to be conditional on and effective following the closing of the Business Combination to set the number of directors of the resulting issuer (the “**Resulting Issuer**”) at five (the “**Resulting Issuer Board Resolution**”);
7. to consider, and, if deemed appropriate, to approve an ordinary resolution conditional on and to take effect only in the event of the closing of the Business Combination approving the election of Houssam (Sam) Kawtharani, Benjamin Kessler, David Lucatch, J. Patrick Mesina and Ravinder Mlait as directors of the Resulting Issuer (the “**Resulting Issuer Director Election Resolution**”);
8. to appoint RSM Canada LLP as the auditor of the Resulting Issuer to hold office conditional on and effective following the closing of the Business Combination and to authorize the directors of the Resulting Issuer to fix the remuneration of the auditor so appointed, to take effect only in the event that the Business Combination is completed (the “**Resulting Issuer Auditor Resolution**”);
9. to consider and, if thought advisable, approve an ordinary resolution conditional on and to take effect only in the event of the closing of the Business Combination approving a new option plan for the Resulting Issuer (the “**Resulting Issuer Option Plan**”), a copy of which is attached as Schedule “H” to the Information Circular (“**Resulting Issuer Option Plan Resolution**”); and
10. to transact such further or other business as may properly come before the TPS Meeting and any adjournments thereof.

The foregoing resolutions are referred to herein as the “**TPS Resolutions**”.

No other matters are contemplated for consideration at the TPS Meeting, however any permitted amendment to or variation of any matter identified in this Notice may properly be considered at the TPS Meeting. The TPS Meeting

may also consider the transaction of such other business as may properly come before the TPS Meeting or any adjournment thereof.

TPS has elected to use the notice-and-access provisions under National Instrument 51-102 – Continuous Disclosure Obligations, in the case of mailing to registered shareholders, and section 2.7.1 of National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer, in the case of beneficial shareholders (“**Notice-and-Access Provisions**”) for this TPS Meeting. Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that allow a company to reduce the volume of materials to be physically mailed to shareholders by posting the information circular and any additional annual meeting materials online. Shareholders will still receive this Notice of Meeting and a form of proxy and may choose to receive a hard copy of the Information Circular. TPS will not use procedures known as ‘stratification’ in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of the information circular to some shareholders with a notice package. In relation to the TPS Meeting, all shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Information Circular.

Copies of this Notice of Meeting, the Information Circular, the form of proxy and the audited financial statements of TPS for the financial year dated December 31, 2019 (together “**Proxy Materials**”), are posted on the TPS website at <http://www.torinopower.com/annual-general-meeting.html> and are filed on the System for Electronic Data Analysis and Retrieval at [www.sedar.com](http://www.sedar.com) (“**SEDAR**”) under TPS’s profile. Any shareholder who wishes to receive a paper copy of the Information Circular, should contact TPS at 7934 Government Road, Burnaby, British Columbia V5A 2E2 or by telephoning TPS at 1-604-551-7831 (collect calls will be accepted). A shareholder may also use the telephone number noted above to obtain additional information about the Notice-and-Access Provisions.

To allow for reasonable time to be allotted for a shareholder to receive and review a paper copy of the Information Circular and submit their vote prior to 10:00 a.m. (Pacific Time) on Friday, March 27, 2020 (the “**Proxy Deadline**”), any shareholder wishing to request a paper copy of the Information Circular as described above, should ensure such request is received by March 20, 2020. Under Notice-and-Access Provisions, Proxy Materials will be available for viewing for up to one (1) year from the date of posting and a paper copy of the materials can be requested at any time during this period.

The accompanying Information Circular provides additional information relating to the matters to be considered at the TPS Meeting. Please review the Information Circular before voting. Also accompanying this Notice of Meeting is a form of proxy and letter of transmittal. Any adjournment of the TPS Meeting will be held at a time and place to be specified at the TPS Meeting. Only shareholders of TPS of record at the close of business on February 7, 2020 will be entitled to receive notice of and vote at the TPS Meeting. Registered shareholders who are unable to attend the TPS Meeting in person and who wish to ensure that their common shares will be voted at the TPS Meeting are requested to complete, date and sign the enclosed form of proxy, or another suitable form of proxy, and deliver it in accordance with the instructions set out in the form of proxy and in the Information Circular. A non-registered shareholder who plans to attend the TPS Meeting must follow the instructions set out in the form of proxy (or voting instruction form) accompanying this Notice and the Information Circular, to ensure that such shareholder’s common shares will be voted at the TPS Meeting. If you hold your common shares in a brokerage account you are not a registered shareholder.

DATED this 24<sup>th</sup> day of February, 2020.

By order of the board of Torino Power Solutions Inc.

*“Ravinder Mlait”*

Ravinder Mlait, Chief Executive Officer

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## NOTE TO UNITED STATES SHAREHOLDERS

The solicitation of proxies is being made and the transactions contemplated herein are being undertaken by Canadian issuers in accordance with Canadian corporate and securities laws. Shareholders should be aware that disclosure requirements under such Canadian laws are different from requirements under United States corporate and securities laws relating to issuers organized under United States laws, and this Information Circular has not been filed with or approved by the United States Securities and Exchange Commission or the securities regulatory authority of any state within the United States. Likewise, information concerning the operations of each of TPS and KABN has been prepared in accordance with Canadian standards, and may not be comparable to similar information for issuers organized under United States laws.

The financial statements of TPS and KABN and the *pro forma* consolidated financial statements included in this Information Circular have been prepared in accordance with the International Financial Reporting Standards (IFRS), and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements prepared in accordance with United States generally accepted accounting principles. Completion of the transactions described herein may have tax consequences under the laws of both the United States and Canada, and any such tax consequences under the laws of the United States are not described in this Information Circular. United States shareholders of each of TPS and KABN are advised to consult their tax advisors to determine any particular tax consequences to them of the transactions to be effected in connection with the Business Combination.

**THE RESULTING ISSUER SHARES (AS DEFINED HEREIN) TO BE ISSUED PURSUANT TO THE BUSINESS COMBINATION HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND SUCH SECURITIES ARE BEING ISSUED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER APPLICABLE UNITED STATES FEDERAL AND STATE SECURITIES LAWS. AS A RESULT, RESULTING ISSUER SHARES ISSUED TO U.S. SHAREHOLDERS MAY BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER UNDER APPLICABLE U.S. FEDERAL AND STATE SECURITIES LAWS.**

**U.S. SHAREHOLDERS OF EACH OF TPS AND KABN SHOULD CONSULT THEIR OWN TAX, LEGAL AND FINANCIAL ADVISORS REGARDING THE PARTICULAR CONSEQUENCES TO THEM OF THE BUSINESS COMBINATION.**

All capitalized terms used and not otherwise defined above shall have the meanings ascribed thereto in the Glossary of Defined Terms in this Information Circular.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Information Circular constitute forward-looking information. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. KABN and TPS believe the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this prospectus should not be unduly relied upon. These statements are current only as of the date of this Information Circular. KABN and TPS do not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws.

In particular, this Information Circular contains forward-looking statements pertaining to the following in respect of KABN, TPS and the Resulting Issuer (referred to in this section collectively as the “**Resulting Issuer**”):

- the business and operations of the Resulting Issuer;
- the Resulting Issuer’s business objectives and discussion of trends affecting the business of the Resulting Issuer;
- the funds available to the Resulting Issuer and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Resulting Issuer;
- capital, operating and general expenditures;
- expectations regarding the ability to raise capital;
- anticipated revenues to be realized by the Resulting Issuer from operations; and
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals.

The Resulting Issuer have based the forward-looking statements largely on the Resulting Issuer’s current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Resulting Issuer believe, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Resulting Issuer’s control, include, but are not limited to: their management’s expectations regarding the future business, objectives and operations of the Resulting Issuer; the Resulting Issuer’s anticipated cash needs and the need for additional financing; the Resulting Issuer’s ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Resulting Issuer’s expectations regarding their respective competitive positions; the Resulting Issuer’s expectations regarding regulatory developments and the impact of the respective regulatory environments in which the Resulting Issuer operate; the Resulting Issuer’s ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Resulting Issuer’s business and the markets in which it operates. Assumptions underlying the Resulting Issuer’s working capital requirements are based on their management’s experience with other public companies in the technology sector. Forward-looking statements pertaining to the Resulting Issuer’s need for and ability to raise capital in the future are based on the projected costs of operating, in respect of KABN, a financial related and loyalty and incentive services and identity verification and validation company, and in respect of TPS, a technology company, and their management’s experience with raising funds in current market circumstances. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Information Circular.

In respect of KABN and following the completion of the Business Combination, the Resulting Issuer:

- dependency of KABN’s business on the availability to it of the KABN IP and KABN ID and related risks associated with licensed intellectual property;
- uncertainty in KABN’s ability to continue as a going concern;
- inability to generate funds for general working capital and continuing operations;
- KABN’s ability to issue a digital currency-linked card in Canada and/or the United States of America is heavily dependent on network and issuing bank approvals;



- possibility of rule changes and new fees imposed by KABN's card partners, networks and issuing banks that negatively impact KABN's business;
- the KABN Platform may not gain the level of market acceptance needed to make KABN profitable or achieve its growth objectives;
- competing service offerings, including new technologies;
- failure to obtain or loss of clients;
- regulatory and legislative risks;
- uncertainty in the development and growth of the digital currency industry;
- uncertainty in respect of the acceptance and use of digital currencies;
- susceptibility of KABN's transactions to data and privacy breaches and other cyber attacks;
- inability of KABN to manage its growth;
- susceptibility of the KABN Platform to risks associated with software and information systems;
- dependency of the KABN Platform on the availability of the Internet and cloud-based services;
- reputational damage;
- susceptibility of KABN's operations to fraud;
- fluctuations in foreign exchange markets;
- possibility of infringing third-party intellectual property rights and the accompanying risk of litigation;
- uncertainty in the sufficiency of funding;
- risks associated with the inability to obtain adequate insurance for operations;
- uncertainty in KABN's ability to obtain additional financing;
- KABN may never pay dividends;
- KABN's directors and officers may serve on the boards and as officers of other companies whose interests may conflict with that of the Companies; and
- risk of greater than anticipated tax liability from unforeseeable audits of KABN's tax filings.

In respect of the Resulting Issuer:

- lack of significant customers;
- dependency of its success on a few key individuals;
- significant shareholders, whose interests may differ from those of the Resulting Issuer's and other shareholders, may have substantial influence over matters submitted to a shareholders vote;
- Resulting Issuer Shares may experience significant price volatility due to extraneous factors;
- investment in the Resulting Issuer Shares carries a high degree of risk;
- the Resulting Issuer may never pay dividends;
- costs associated with the Resulting Issuer being a publicly-traded company;
- dilution to TPS Shares and KABN Shares; and
- the impact of future sales of the Resulting Issuer Shares on their market price.

**Certain historical information contained in this Information Circular has been provided by, or derived from information provided by, third parties. Although neither TPS nor KABN has any knowledge that would indicate that any such information is untrue or incomplete, TPS and KABN assume no responsibility for the accuracy and completeness of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information but which is unknown to TPS and KABN.**

All capitalized terms used and not otherwise defined above shall have the meanings ascribed thereto in the Glossary of Defined Terms in this Information Circular.

## GLOSSARY OF DEFINED TERMS

In this Information Circular, the following capitalized words and terms shall have the following meanings:

<b>Amalco</b>	The corporation resulting from the Amalgamation, to be named KABN Systems North America Inc.
<b>Amalgamation</b>	The amalgamation of KABN and TPS Subco to form Amalco pursuant to Section 174 of the OBCA and in accordance with the terms of the Business Combination Agreement, which shall result in the business combination of TPS and KABN all as further described in this Information Circular.
<b>AML</b>	Anti-money laundering, referring to government regulations designed to prevent persons from disguising illegally obtained funds as legitimate income, focused on financial services, and that require financial institutions and other regulated entities to prevent, detect, and report money laundering activities.
<b>Articles of Amalgamation</b>	The articles required under the OBCA to be sent to the Director to give effect to the Amalgamation.
<b>BCBCA</b>	<i>Business Corporations Act</i> (British Columbia), as amended from time to time.
<b>Business Combination</b>	The Consolidation and the Amalgamation, collectively.
<b>Business Combination Agreement</b>	The Business Combination Agreement dated as of January 13, 2020 among TPS, TPS Subco and KABN governing the terms of the Business Combination.
<b>Business Combination Resolutions</b>	The TPS Fundamental Change Resolution and the KABN Amalgamation Resolution, collectively.
<b>Business Day</b>	Any day excepting a Saturday or Sunday or a day recognized as a holiday in Toronto, Ontario, or a day on which banks in Toronto are not open for business.
<b>Card Networks</b>	Payment card networks.
<b>Certificate of Amalgamation</b>	The certificate to be issued by the Director in connection with the Amalgamation pursuant to Section 178 of the OBCA.
<b>Clients</b>	Clients of KABN Gibraltar or KABN who use KABN ID to verify the identities of their customers.
<b>Companies</b>	TPS, TPS Subco and KABN, as applicable.
<b>Consolidation</b>	The consolidation of the issued and outstanding TPS Shares on the basis of one New TPS Share for every ten TPS Shares issued and outstanding immediately prior to the Effective Date.
<b>Core KABN Asset Sale</b>	A sale (directly or indirectly) by KABN Gibraltar of KABN Global Whitelist assets.
<b>Crypto KABN</b>	Crypto KABN Holdings Inc., a corporation incorporated under the BCBCA.

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<b>CSE</b>	Canadian Securities Exchange.
<b>Customers</b>	Individual customers of KABN Gibraltar or KABN who access and use the KABN NA Platform.
<b>December 10 Private Placement</b>	The private placement of 300,000 units, with each unit comprising of one KABN Share and one-half of a warrant to purchase a KABN Share, at a subscription price of \$0.10 per unit.
<b>Depository</b>	Odyssey Trust Company, which will act as the depository for the exchange of the KABN Shares and New TPS Shares for the Resulting Issuer Shares in connection with the Business Combination.
<b>Director</b>	The director appointed under Section 278 of the OBCA.
<b>Effective Date</b>	The effective date of the Business Combination, which is anticipated to be on or about the third Business Day following the date of the TPS Meeting.
<b>Escrow Agent</b>	Odyssey Trust Company, as escrow agent pursuant to the Escrow Agreement.
<b>Escrow Agreement</b>	The escrow agreement to be entered into with between the Escrow Agent, TPS and holders of the Escrow Shares, as described under the heading “Resulting Issuer – Escrowed Securities”.
<b>Escrow Shares</b>	Resulting Issuer Shares being held in escrow pursuant to the Escrow Agreement.
<b>Fundamental Change</b>	A “fundamental change” within the meaning of CSE Policy 8.
<b>GDPR</b>	The General Data Protection Regulation of the European Union, a regulation dealing with data protection and privacy for all individual citizens of the European Union and the European Economic Area.
<b>Gen-X</b>	Generation X.
<b>Gen-Y</b>	Generation Y.
<b>Government Authority</b>	Any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question.
<b>IFRS</b>	International financial reporting standards.
<b>Information Circular</b>	This Information Circular to be sent to the TPS Shareholders in connection with the TPS Meeting.
<b>KABN</b>	KABN Systems North America Inc., a corporation existing under the OBCA.
<b>KABN Amalgamation Resolution</b>	The Special Resolution of the KABN Shareholders approving the Amalgamation.
<b>KABN Board</b>	The board of directors of KABN.

<b>KABN Card</b>	The Pegasus Flyte Prepaid Card and KABN Mobile Banking Wallet offered by KABN.
<b>KABN Clients</b>	Commercial clients of KABN or KABN Gibraltar.
<b>KABN Customer, or KABN Identify Managed Customer</b>	An individual resident in Canada or the United States of America whose identity has been validated and added to the KABN Global Whitelist.
<b>KABN Ecosystem</b>	As defined under the heading “KABN – Narrative Description of the Business – About the KABN Platform”.
<b>KABN Gibraltar</b>	KABN (Gibraltar) Limited, a corporation incorporated under the laws of Gibraltar.
<b>KABN Global Whitelist</b>	The list of all Customers that have had their identification validated and rented through KABN ID.
<b>KABN ID</b>	KABN’s industry grade, patent-pending biometric ID validation and verification technology.
<b>KABN IP</b>	Intellectual property KABN uses in its business and that is licensed or sublicensed from KABN Gibraltar, as described under “KABN – Narrative Description of the Business – KABN Gibraltar’s Intellectual Property”.
<b>KABN KASH</b>	KABN’s loyalty program.
<b>KABN License</b>	The exclusive rights to use and exploit the KABN IP in connection with the operations of the KABN Platform in Canada and the United States of America, granted by KABN Gibraltar to KABN pursuant to the KABN License Agreement.
<b>KABN License Agreement</b>	The agreement under which KABN licenses or sublicences certain intellectual property and know-how from or of KABN Gibraltar.
<b>KABN Mobile Banking Wallet</b>	A virtual wallet offered by KABN that stores account and payment card information on a mobile device.
<b>KABN Platform</b>	The suite of services offered by KABN, including KABN ID, KABN Card, and KABN KASH.
<b>KABN Private Placement Unit</b>	A unit offered under private placements completed in July, August and December, 2019, comprising of one KABN Share and one half of one KABN Private Placement Warrant.
<b>KABN Private Placement Warrant</b>	A common share purchase warrant, issued under a private placement completed on July 31, August 30 or December 10, 2019, exercisable into a KABN Share at a price of \$0.15 per KABN Share for a period of 18 months, subject to certain exceptions.
<b>KABN Shareholders</b>	At the relevant time, holders of KABN Shares.
<b>KABN Shares</b>	Common shares in the capital of KABN.
<b>KABN Unit</b>	A unit will comprise of one KABN Share and one-half of one KABN Warrant.
<b>KABN Warrant</b>	A common share purchase warrant of KABN, to be issued under the Private Placement, exercisable into a KABN Share at a price of \$0.20 per KABN Share for a period of 18 months.

<b>KYC</b>	Know your customer, referring to government regulations requiring the verification of the identity of customers of certain business, in particular financial services and similar business.
<b>Listing</b>	The listing of the Resulting Issuer Shares on the CSE.
<b>Listing Date</b>	The date on which the Resulting Issuer Shares are listed for trading on the CSE.
<b>Management Proxyholders</b>	Officers or directors of TPS or KABN, whose names are printed in the enclosed form of proxy.
<b>New TPS Shares</b>	Voting common shares in the capital of TPS, as constituted immediately following completion of the Consolidation.
<b>Nominee</b>	Entities such as a brokerage firm, bank, trust company, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans, or clearing agency such as The Canadian Depository for Securities Limited, through which “non-registered” TPS Shareholders and KABN Shareholders, respectively, purchase their shares.
<b>Notice of Alteration</b>	The notice required under the BCBCA to be sent to the Director to give effect to the Consolidation.
<b>NP 46-201</b>	National Policy 46-201 – <i>Escrow for Initial Public Offerings</i> .
<b>OBCA</b>	<i>Business Corporations Act</i> (Ontario), as amended from time to time.
<b>Ordinary Resolution</b>	A resolution required to be approved by greater than fifty percent (50%) of the votes cast by those TPS Shareholders who (being entitled to do so) vote in person or by proxy at the TPS Meeting.
<b>Pegasus Flyte Prepaid Card</b>	The prepaid credit card offered by KABN to all KABN Identity Managed Customers.
<b>Person</b>	Any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status.
<b>Private Placement</b>	The private placement of KABN Units to raise at minimum aggregate gross proceeds of \$750,000 at a price per Unit of \$0.15.
<b>Regulatory Approval</b>	Any approval, consent, waiver, permit or exemption from any Government Authority having jurisdiction or authority over any party or the subsidiary of any party which is required or advisable to be obtained in order to permit the Business Combination to be effected including, for greater certainty, the approval by the CSE, and “Regulatory Approvals” means all such approvals, consents, waivers, permits, orders or exemptions.
<b>Resulting Issuer</b>	TPS following the completion of the Business Combination.
<b>Resulting Issuer Auditor Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>Resulting Issuer Board</b>	The board of directors of the Resulting Issuer.

<b>Resulting Issuer Board Nominees</b>	Individuals nominated as directors of the Resulting Issuer, conditional and effective only upon the completion of the Business Combination, being Houssam (Sam) Kawtharani, Benjamin Kessler, David Lucatch, J. Patrick Mesina and Ravinder Mlait.
<b>Resulting Issuer Board Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>Resulting Issuer Director Election Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>Resulting Issuer Option Plan</b>	The stock option plan of the Resulting Issuer, as approved by the TPS Board on February 20, 2020, and attached to the Information Circular as Schedule “H”.
<b>Resulting Issuer Option Plan Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>Resulting Issuer Shares</b>	The common shares in the capital of the Resulting Issuer.
<b>Resulting Issuer Warrants</b>	Common share purchase warrants of the Resulting Issuer.
<b>RRIF</b>	Registered retirement income fund.
<b>RRSP</b>	Registered retirement savings plan.
<b>Special Resolution</b>	A special resolution required to be approved by not less than two-thirds ( $\frac{2}{3}$ ) of the votes cast by those TPS Shareholders who (being entitled to do so) vote in person or by proxy at the TPS Meeting.
<b>TPS</b>	Torino Power Solutions Inc., a corporation existing under the BCBCA.
<b>TPS Audit Committee</b>	The audit committee of TPS.
<b>TPS Auditor Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>TPS Board</b>	The board of directors of TPS.
<b>TPS Board Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>TPS Director Election Resolution</b>	The resolution as described in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>TPS Fundamental Change Resolution</b>	The Ordinary Resolution approving the Business Combination to be voted on, with or without variation, by TPS Shareholders at the TPS Meeting substantially in the form attached as Schedule “A” to this Information Circular.
<b>TPS Group</b>	TPS and TPS Subco, collectively.

<b>TPS Meeting</b>	The annual and special meeting of TPS Shareholders to be held at 10:00 a.m. (Vancouver time) on March 31, 2020, including any adjournment or postponement thereof, for the purposes considering and voting on the TPS Resolutions, including the TPS Fundamental Change Resolution.
<b>TPS Nominees</b>	Ravinder S. Mlait, Bryan E. Loree, J. Patrick Mesina and Darren Fast, being the current directors of TPS nominated to be re-elected as directors of TPS to hold office until their successors are elected at the next annual meeting of TPS.
<b>TPS Option Plan</b>	The stock option plan of TPS dated June 30, 2016 governing the TPS Options.
<b>TPS Options</b>	Stock options to acquire TPS Shares outstanding from time to time.
<b>TPS Record Date</b>	February 7, 2020, being the date for determining TPS Shareholders entitled to receive notice of and vote at the TPS Meeting.
<b>TPS Resolutions</b>	Collectively, each of the resolutions set out in the TPS Notice of Meeting, as further described under “Particulars of Matters to be Acted Upon at the TPS Meeting”.
<b>TPS Shareholders</b>	At the relevant time, the holders of TPS Shares.
<b>TPS Shares</b>	Voting common shares in the capital of TPS, as constituted on the date of this Information Circular, prior to giving effect to the Consolidation.
<b>TPS Subco</b>	2733668 Ontario Inc., a corporation existing under the law of the OBCA and a wholly-owned subsidiary of TPS.
<b>TPS Warrants</b>	Common share purchase warrants of TPS with an exercise price of \$0.15 and expiring on May 25, 2020.
<b>TSXV</b>	TSX Venture Exchange.
<b>U.S. Securities Act</b>	The United States Securities Act of 1933, as amended.
<b>U.S. Shareholder</b>	A United States holder of TPS Shares or KABN Shares.

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## SUMMARY

*The following is a summary of the principal features of the Business Combination and certain other matters and should be read together with the more detailed information and financial data and statements contained elsewhere in the Information Circular, including the schedules hereto. Capitalized terms not otherwise defined in this Summary are defined in the Glossary of Defined Terms or elsewhere in the Information Circular. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.*

### **The TPS Meeting**

#### ***Date, Time and Place of the TPS Meeting***

The TPS Meeting will be held on March 31, 2020 at 10:00 a.m. (Vancouver time) at 650 West Georgia Street, Suite 2700, Vancouver, British Columbia V6B 4N7.

#### ***The Record Date***

The TPS Record Date for determining the registered shareholders of TPS for the TPS Meeting is February 7, 2020.

#### ***Purposes of the Meeting***

This Information Circular is furnished in connection with the solicitation of proxies by management of TPS for use at the TPS Meeting.

At the TPS Meeting, TPS Shareholders will be asked to (i) receive and consider the audited financial statements of TPS for the year ended December 31, 2019, together with the report of the auditors thereon; and (ii) consider and, if thought advisable, approve, with or without variation, the TPS Resolutions, including, but not limited to, the TPS Board Resolution, the TPS Director Election Resolution, the TPS Auditor Resolution, the TPS Fundamental Change Resolution approving the Business Combination, the Resulting Issuer Board Resolution, the Resulting Issuer Director Election Resolution, the Resulting Issuer Auditor Resolution and the Resulting Issuer Option Plan Resolution, all as more particularly described herein. The form of resolution in respect of the TPS Fundamental Change Resolution is attached as Schedule “A” to this Information Circular.

### **The Business Combination**

#### ***Summary***

The principal features of the Business Combination may be summarized as set forth below (and are qualified in their entirety by reference to the full text of the Business Combination Agreement, attached as Schedule “F” to this Information Circular).

It is anticipated that KABN will complete a private placement of 6,000,000 KABN Units at an issue price of \$0.15 for gross proceeds of \$900,000 (the “**Private Placement**”). See “KABN – Private Placement”.

Pursuant to the terms of the Business Combination Agreement:

- TPS will consolidate the TPS Shares on the basis of one New TPS Share for every ten TPS Shares then issued and outstanding (the “**Consolidation**”);
- TPS will change its name to such name as is acceptable to KABN and to the applicable governmental authorities (the “**Name Change**”); and
- TPS will acquire all of the issued and outstanding KABN Shares pursuant to a three-cornered amalgamation whereby TPS Subco and KABN will amalgamate (the “**Amalgamation**”) to form a newly amalgamated company (“**Amalco**”), and upon the Amalgamation, KABN Shareholder will receive one New TPS Share for each one KABN Share held and Amalco will become a wholly-owned subsidiary of TPS, which will be the resulting issuer upon the completion of the Business Combination (the “**Resulting Issuer**”).

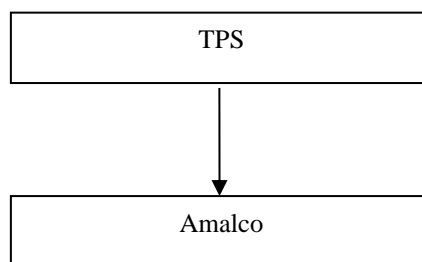


***Prior to the Business Combination***



TPS currently has no subsidiaries other than TPS Subco, which is wholly-owned by TPS. TPS Subco was incorporated on December 20, 2019 under the OBCA with its head office and registered office located at 40 King Street West, Suite 2100, Toronto, Ontario M5H 3C2. TPS Subco has not carried on any business since incorporation and has no assets and no liabilities. TPS Subco was incorporated solely for the purposes of participating in the Business Combination.

***Following the Business Combination***



Following the Business Combination, Amalco will be a wholly owned subsidiary of TPS as the Resulting Issuer. Amalco will be an amalgamated corporation existing under the OBCA and will be named “KABN Systems North America Inc.” The address of the registered and records office of Amalco will be 1-7357 Woodbine Avenue, Suite 605, Markham, Ontario L3R 6L3.

There are currently 59,722,988 TPS Shares issued and outstanding. On closing, there will be approximately 5,972,298 New TPS Shares outstanding. As a result of the Business Combination and assuming completion of the Private Placement, it is expected that the Resulting Issuer will have approximately 57,259,328 issued and outstanding Resulting Issuer Shares on an undiluted basis. Approximately 10.4% of those Resulting Issuer Shares will be held by the current shareholders of TPS and 79.1% will be held by the current shareholders of KABN. The shares held by new “principals” of the Resulting Issuer will be subject to such escrow requirements as may be imposed by the securities regulatory authorities.

Upon completion of the Business Combination and assuming: (i) there are 5,972,298 New TPS Shares and 45,287,030 KABN Shares issued and outstanding immediately prior to the Business Combination; (ii) any outstanding TPS Options will be cancelled in connection with the closing of the Business Combination and there are a further 7,519,899 New TPS Shares reserved for issuance upon exercise of outstanding convertible securities of each of TPS and KABN; (iii) the Private Placement is for gross proceeds of \$900,000 for 6,000,000 KABN Shares and 3,000,000 KABN Warrants; and (iv) there are no further share issues by TPS or KABN, the Resulting Issuer will have approximately 57,259,328 Resulting Issuer Shares issued and outstanding immediately following the completion of the Business Combination, and a further 10,519,899 Resulting Issuer Shares reserved for issue upon exercise of the outstanding convertible securities. The following table summarizes the distribution of Resulting Issuer Shares following the completion of the Business Combination based upon the foregoing assumptions:

Shareholder	Number of Resulting Issuer Shares	Percentage of TPS on a Pro Forma Basis
Former TPS Shareholders	5,972,298	10.4%
Former KABN Shareholders (other than holders of securities issued in connection with the Private Placement <sup>(1)</sup> )	45,287,030	79.1%
Former holders of securities issued in connection with the Private Placement <sup>(1)</sup>	6,000,000	10.5%

Notes:

(1) Assuming Private Placement for gross proceeds of \$900,000.

Full particulars of the Business Combination are contained in the Business Combination Agreement attached hereto as Schedule “F” and incorporated by reference in this Information Circular.

### ***The Companies***

KABN was incorporated pursuant to the OBCA on May 1, 2019. No securities of KABN are currently publicly traded on any stock exchange, and there is not otherwise any public market upon which any securities of KABN may be traded. The registered and head office of KABN is located at 1-7357 Woodbine Avenue, Suite 605, Markham, Ontario L3R 6L3. See “KABN”.

TPS was incorporated under the laws of the province of British Columbia on September 10, 2014 as Torino Ventures Inc. On November 6, 2015, Torino Ventures Inc. and Smart Autonomous Solutions Inc. completed a reverse takeover transaction whereby Torino Ventures Inc. acquired all of the issued and outstanding shares of Smart Autonomous Solutions Inc. Torino Ventures Inc. changed its name to Torino Power Solutions on November 13, 2016. The TPS Shares are listed on the CSE under the symbol “TPS”. TPS’s registered and head office is located at 7934 Government Road, Burnaby, British Columbia V5A 2E2.

TPS currently has no subsidiaries other than TPS Subco, which is wholly-owned by TPS. TPS Subco was incorporated on December 20, 2019 under the OBCA with its head office and registered office located at 40 King Street West, Suite 2100, Toronto, Ontario M5H 3C2. TPS Subco has not carried on any business since incorporation and has no assets and no liabilities. TPS Subco was incorporated solely for the purposes of participating in the Business Combination. See “The TPS Group”.

### ***Unaudited Pro Forma Consolidated Summary Financial Information***

The following table sets out selected unaudited pro forma consolidated financial information for the Resulting Issuer, assuming completion of the Business Combination as of December 31, 2019, and for fiscal year then ended (reflecting the pro-forma consolidation of the Companies as at such dates), and should be considered in conjunction with the more complete information contained in the unaudited pro forma consolidated financial statements attached as Schedule “E” to this Information Circular. Unless otherwise indicated, all currency amounts are stated in Canadian dollars.

Balance Sheet Data:	As of December 31, 2019 <sup>(1)</sup>
Total Assets	2,428,610
Total Liabilities	591,905
Shareholders’ Equity	1,836,705
Deficit	(1,747,144)

Notes:

- (1) Amounts presented reflect pro forma adjustments as further detailed in Note 3 to the unaudited pro forma consolidated financial statements attached as Schedule “E” to this Information Circular, to which reference should be made for a complete summary of all assumptions underlying these amounts.

### ***KABN Selected Financial Information***

The following table sets out selected financial information for KABN for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of KABN attached as Schedule “C” to this Information Circular. Unless otherwise indicated, all currency amounts relating to the financial statements of KABN are stated in Canadian dollars.

	<b>Five-month period ended September 30, 2019 (audited) (\$)</b>
Revenue	15,277
Total operating expenses	(426,190)
<b>Total loss and comprehensive loss</b>	<b>410,913</b>
Basic and diluted loss per share	(0.012)

<b>Statement of Financial Position</b>	<b>As at September 30, 2019 (audited) (\$)</b>
Assets	
Current assets	471,192
Non-current assets	1,244,218
<b>Total Assets</b>	<b>1,715,410</b>
Liabilities	
Current liabilities	552,620
Shareholders’ equity	1,162,790
<b>Total liabilities and shareholders’ equity</b>	<b>1,715,410</b>

### ***TPS Selected Financial Information***

The following table sets out selected financial consolidated information for TPS for the period indicated and should be considered in conjunction with the more complete information contained in the financial statements of TPS attached as Schedule “B” to this Information Circular. All currency amounts are stated in Canadian dollars.

<b>Statements of Loss Data:</b>	<b>Fiscal Year ended December 31, 2017 (audited)</b>	<b>Fiscal Year Ended December 31, 2018 (audited)</b>	<b>Fiscal Year Ended December 31, 2019 (audited)</b>
Interest Income	-	-	-
Total Expenses	\$2,830,581	\$997,762	\$345,963
Net Loss and Comprehensive Loss	\$2,774,314	\$878,762	\$242,377
<b>Balance Sheet Data:</b>	<b>As at December 31, 2017 (audited)</b>	<b>As at December 31, 2018 (audited)</b>	<b>December 31, 2019 (audited)</b>
Total Assets	\$355,539	\$109,495	\$13,200

Total Liabilities	\$58,998	\$19,367	\$39,285
Accumulated Deficit	\$(6,644,603)	\$(7,523,365)	\$(7,765,742)
Shareholders' Equity	\$296,541	\$90,128	\$(26,085)

***Reasons for the Business Combination***

TPS and KABN believe that the Business Combination is in the best interests of their respective shareholders for numerous reasons. In particular, entering into the Business Combination would enable TPS to acquire a new business in the online identity, financial and related service sector while KABN would become publicly listed, providing it with greater ability to attract capital resources and expand its business.

In arriving at their respective conclusions, the TPS Board considered, among other matters:

- information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both the TPS Group and KABN;
- the future prospects of the business of each of the TPS Group and KABN; and
- the management group and technical team of KABN.

In arriving at their respective conclusions, the KABN Board considered, among other matters:

- information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both the TPS Group and KABN;
- the fact that the TPS Shares are listed and posted for trading on the CSE;
- current economic and financial market conditions;
- the procedures by which the Business Combination is to be approved;
- the tax treatment of KABN Shareholders in connection with the Business Combination; and
- the availability of Dissent Rights to KABN Shareholders with respect to the Amalgamation.

For further information on the reasons for the Business Combination, see “The Business Combination – Further Particulars of the Business Combination – Reasons for the Business Combination” and “The Business Combination – Further Particulars of the Business Combination – Recommendations of the Directors”.

***Private Placement***

In connection with the Business Combination, KABN agreed to use its commercially reasonable efforts to complete the Private Placement for, at minimum, gross proceeds of \$750,000 prior to the Business Combination, but is projecting to raise \$900,000 which will be used for the purposes set out under the “Available Funds” heading below.

See “KABN – Private Placement”.

***Available Funds***

The net proceeds from the Private Placement are estimated to be as follows:

<b>Description</b>	<b>Private Placement</b>
Gross Proceeds	\$900,000
Agent’s Fees	\$50,000
Net Proceeds	\$850,000

Assuming that the expenses of the Business Combination and Private Placement (exclusive of commissions payable to eligible registrants in connection with the Private Placement) are \$150,000, following the Business Combination and the Private Placement, it is expected that the Resulting Issuer will have funds available to it as set forth below, based upon the completion of the Private Placement prior to the Effective Date:

Source	Funds
Estimated working capital of TPS as of December 31, 2019	\$0
Estimated working capital of KABN as of December 31, 2019	\$10,000
Net proceeds from Private Placement <sup>(1)</sup>	\$850,000
Less expenses of the Business Combination	\$150,000
Total available funds	\$700,000

Notes:

(1) Assuming Private Placement for gross proceeds of \$900,000.

The primary purposes of the Business Combination and Private Placement are to obtain additional equity capital for the Resulting Issuer, create a public market for the KABN Shares and facilitate future access by the Resulting Issuer to financing opportunities. It is expected that the Resulting Issuer will use the total funds available set forth above for the purposes described below:

Use of Proceeds <sup>(1)</sup>	Funds
Payment of fees related to the KABN License	\$450,000
Management, administrative and technical staff	\$150,000
General corporate expenses and working capital <sup>(1)</sup>	\$100,000
Total	\$700,000

Notes:

(1) The use of proceeds is designed to get the Resulting Issuer to a point where it can sustain itself from operations. There are revenues/margins that offset the total cost of staff and overhead costs. However, the weight of costs that are incurred in the first half of 2020 include the fees related to the KABN License while the Resulting Issuer ramps up its salaried teams and overhead burden based on the scale of the business.

The Resulting Issuer intends to spend the funds available to it as stated in this Information Circular. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. See “Risk Factors”.

### ***Business Objectives***

Pursuant to the Business Combination, the TPS Group and KABN will combine their business operations and operate in the online identity, financial and related services industry. Set forth below is a summary of the business currently carried on by each of the TPS Group and KABN and proposed to be carried on by the Resulting Issuer following the Business Combination.

#### ***The TPS Group***

TPS’s primary business has been the development and commercialization of its patented Dynamic Thermal Circuit Rating (DTCR) technology and proprietary system architecture for application in overhead transmission lines. TPS has not generated revenues to date from its DTCR technology.

TPS Subco was incorporated solely for the purposes of participating in the Business Combination.

See “The TPS Group – General Development of the Business”.

## KABN

Founded by a group of former banking, payments, technology and loyalty executives, KABN is the first licensee of KABN Gibraltar's financial services platform that is focused on the Millennial generation, Gen-X and Gen-Z. KABN Gibraltar's and KABN's mission is to create a world-class suite of products and services that support the decentralized market economy, enabling consumers to take control of their digital identity and personal data, connecting them with digital currency-linked financial services and loyalty platforms. KABN will be the sole provider of these products and services in Canada and the United States of America. KABN's value proposition is to create customer value through the verification, management and monetization of identity. KABN's service offering will engage with both traditional currencies and new digital currencies, in combination with a low cost of customer acquisition, approval by Card Networks such as VISA, brand partnerships and scalability, to create a highly efficient revenue focused environment supporting both its clients and customers.

The KABN Platform consists of:

- **KABN ID:** a blockchain and biometrically based, patent-pending, General Data Protection Regulations (GDPR) compliant, "always on" ID validation and verification process at its core;
- **KABN Card:** new types of financial and related services through a VISA Card Network-approved, digital currency-linked prepaid card and mobile banking wallet program for a variety of digital currencies and multi-currency fiat transactions; and
- **KABN KASH:** a robust loyalty and customer engagement platform.

KABN is the exclusive licensee of the intellectual property that is comprised in the KABN ID, KABN Card and KABN KASH programs in Canada and the United States of America.

See "KABN – Narrative Description of the Business".

### ***Recommendations of the TPS Board and KABN Board***

The TPS Board and KABN Board have determined that the transactions contemplated by the Business Combination Agreement are fair and reasonable to the TPS Shareholders and KABN Shareholders, and in the best interests of TPS and KABN, respectively.

The TPS Board recommends that the TPS Shareholders vote in favour of the TPS Fundamental Change Resolution. See "The Business Combination – Further Particulars of the Business Combination – Recommendations of the Directors".

### ***Interests of Insiders***

The following table sets forth the number and percentage of Resulting Issuer Shares which are expected to be beneficially owned, controlled or directed by the proposed principals of the Resulting Issuer immediately following the Business Combination, as well as the securities of each of KABN and TPS beneficially owned, controlled or directed by such persons as of the date of this Information Circular:

<b>Name and proposed position with Resulting Issuer following the Business Combination</b>	<b>Number and percentage of KABN Shares held as of the date of this Information Circular<sup>(1)</sup></b>	<b>Number and percentage of TPS Shares held as of the date of this Information Circular<sup>(1)</sup></b>	<b>Number and percentage of Resulting Issuer Shares to be held following the Business Combination and the Private Placement<sup>(2)</sup></b>
Benjamin Kessler Chief Executive Officer and Director	675,000 1.49%	Nil	675,000 1.18%

Bryan Loree Interim Chief Financial Officer	Nil	8,006,479 13.4%	800,648 1.40%
David Lucatch President and Director	13,575,000 29.98%	Nil	13,575,000 23.71%
Houssam (Sam) Kawtharani Director	100,000 0.22%	Nil	100,000 0.17%
J. Patrick Mesina Director	175,000 0.39%	Nil	175,000 0.31%
Ravinder Mlait Director	Nil	7,699,459 12.89%	769,946 1.34%

Notes:

- (1) The information as to the number and percentage of securities beneficially owned, controlled or directed, has been obtained from the persons listed individually. No individual listed currently anticipates participating in the Private Placement.
- (2) Calculated based upon the securities of each of KABN and TPS beneficially owned, controlled or directed by such persons reported as of the date of this Information Circular, on a diluted basis, after giving effect to the Business Combination and the Private Placement for estimated gross proceeds of \$900,000 and as otherwise contemplated in this Information Circular. See also “Resulting Issuer – Escrowed Securities”.

No director or officer of either of TPS any material interest, direct or indirect, in any matter to be acted upon at the TPS Meeting, other than as described in the immediately preceding table and as set forth below:

- (i) certain of the directors and officers of TPS are also shareholders of TPS (see “The TPS Group – Directors and Officers”) and accordingly, such individuals have an interest in the TPS Fundamental Change Resolution as in the event of approval of such resolutions, they would be entitled receive Resulting Issuer Shares in connection with the Business Combination (see “The Business Combination – Effect of the Business Combination”); and
- (ii) in the event of approval of the Business Combination Resolutions, certain of the directors and officers of TPS will continue as the directors and officers of the Resulting Issuer following the Business Combination, and accordingly such directors and officers of TPS have an interest in the Business Combination Resolutions in connection with both their continued directorships.

The Business Combination is an arm’s length transaction to each of TPS and KABN.

#### ***Conditions to the Business Combination***

The obligations of the parties to complete the Business Combination and the other transactions contemplated by the Business Combination Agreement are subject to the satisfaction, on or before the Effective Date, of a number of specified conditions, including:

- (a) the KABN Shareholders having approved the KABN Amalgamation Resolution;
- (b) the TPS Shareholders having approved the TPS Fundamental Change Resolution;
- (c) the New TPS Shares being conditionally approved for listing on the CSE;
- (d) the Consolidation and the Name Change being effective; and
- (e) Dissent rights having been exercised in respect of no more than 5% of the issued and outstanding KABN Shares.

The Business Combination Agreement also provides that it may be terminated in certain circumstances by the TPS Board or KABN Board before the Effective Date notwithstanding the approval of the TPS Fundamental Change

Resolution by the TPS Shareholders or approval of the KABN Amalgamation Resolution by the KABN Shareholders. See “The Business Combination – Conditions to the Business Combination Becoming Effective”.

#### *Exchange of Certificates and Fractional Shares*

A letter of transmittal containing instructions with respect to the deposit of certificates for KABN Shares and TPS Shares with the Depositary at its principal office in Toronto, Ontario will be forwarded to KABN Shareholders and TPS Shareholders following the Effective Date for use in exchanging their certificates representing KABN Shares and TPS Shares, respectively, for certificates representing Resulting Issuer Shares following the Effective Date. Upon return of a properly completed letter of transmittal, together with certificates representing KABN Shares or TPS Shares, as applicable, certificates for the appropriate number of Resulting Issuer Shares will be distributed without charge.

No fractional shares will be issued to KABN Shareholders or TPS Shareholders otherwise entitled to them. Instead, the number of Resulting Issuer Shares issuable to such holders shall be rounded down to the nearest whole Resulting Issuer Share. See “The Business Combination – Further Particulars of the Business Combination”.

#### *Cancellation of Rights after Two Years*

If a KABN Shareholder or TPS Shareholder fails to deliver and surrender to the Depositary the certificates representing such KABN Shares or TPS Shares, as applicable, together with a duly executed and completed letter of transmittal and other required documents, the certificates representing the Resulting Issuer Shares to which such shareholder would otherwise have been entitled will be held by the Depositary for a maximum of two (2) years from the Effective Date.

Upon the expiry of two (2) years from the Effective Date, each such certificate representing KABN Shares or TPS Shares shall cease to represent a right or claim of any kind or nature and the right of such KABN Shareholder or TPS Shareholder, as applicable, to receive certificates representing Resulting Issuer Shares, and the Resulting Issuer Shares issued to such shareholders shall be deemed to be surrendered to the Resulting Issuer together with all dividends or distributions thereon declared or held for such holder. See “The Business Combination – Further Particulars of the Business Combination”.

#### *Rights of Dissent*

KABN Shareholders have the right to dissent to the proposed Amalgamation and to be paid the fair value of their shares upon strict compliance with the provisions of applicable law. See “Rights of Dissenting Shareholders”.

#### *Conflicts of Interest*

To the knowledge of management of KABN and TPS, no existing or potential material conflicts of interest exist presently or will exist between the Resulting Issuer or Amalco and any proposed director, officer or promoter of the Resulting Issuer or Amalco following completion of the Business Combination.

#### *Income Tax Considerations*

**Holders of TPS and KABN securities should consult their own tax advisors about the applicable Canadian or United States federal, provincial, state and local tax consequences of the Business Combination.**

For Canadian federal income tax purposes, a KABN Shareholder whose KABN Shares, as applicable represent “capital property” generally will not realize a capital gain or capital loss on the exchange of such shares for Resulting Issuer Shares in connection with the Business Combination. See “The Business Combination – Further Particulars of the Business Combination – Canadian Federal Income Tax Considerations”.

Completion of the Business Combination may have tax consequences under the laws of the United States, and any such tax consequences are not described in this Information Circular. United States security holders of TPS and KABN are urged to consult their own tax advisors to determine any particular tax consequences to them of the transactions contemplated in connection with Business Combination. See “Note to United States Shareholders”.



### ***Securities Laws Information for Canadian Shareholders***

The issuance of the Resulting Issuer Shares to KABN Shareholders pursuant to the Business Combination will constitute a distribution of securities, which is exempt from the prospectus requirements of Canadian securities legislation. The Resulting Issuer Shares may be resold without restriction in each of the provinces and territories of Canada, provided the holder is not a ‘control person’ as defined in the applicable securities legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

**The resale of any Resulting Issuer Shares acquired in connection with the Business Combination may be required to be made through properly registered securities dealers. Each holder is urged to consult professional advisers to determine the conditions and restrictions applicable to trades in such shares. See “The Business Combination – Further Particulars of the Business Combination”.**

### ***Securities Laws Information for United States Shareholders***

The Resulting Issuer Shares to be issued in connection with the Business Combination will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and such securities are being issued in reliance upon exemptions from registration under applicable United States federal and state securities laws. As a result, Resulting Issuer Shares issued to U.S. shareholders may be subject to certain restrictions on transfer under applicable U.S. federal and state securities laws. Shareholders should consult their own legal and financial advisors concerning the applicable United States federal, state and local securities law consequences of the Business Combination. See “The Business Combination – Further Particulars of the Business Combination” and “Note to United States Shareholders”.

### ***Risk Factors***

An investment in the Resulting Issuer Shares involves a significant degree of risk. The current business of KABN will be the business of the Resulting Issuer upon completion of the Business Combination. Accordingly, risk factors relating to KABN’s current business will be risk factors relating to the Resulting Issuer’s business. Due to the nature of the Resulting Issuer’s business, the legal and economic climate in which it operates and the present stage of the KABN Platform’s development, the Resulting Issuer Shares to be issued in connection with the Business Combination are subject to a number of risk factors.

Holders of TPS Shares and KABN Shares should review carefully the risk factors set forth under each of the headings entitled “Risk Factors” in this Information Circular. A summary of the principal risk factors concerning the Resulting Issuer, as well as certain risk factors associated with the Business Combination, are set forth below:

- The business of the Resulting Issuer will be entirely dependent on the availability to it of the KABN IP and the right to use it to operate the KABN Platform.
- The Resulting Issuer may continue to have negative operating cash flow for the foreseeable future considering its limited history of operations and that it has no history of positive cash flow or profitability.
- The Resulting Issuer’s ability to issue a digital currency-linked card in Canada and/or the United States of America will depend on approvals and rules imposed by Card Networks and related financial services providers.
- The Resulting Issuer’s ability to issue or continue to issue the Pegasus Flyte Prepaid Card will depend on the continuing cooperation of the Resulting Issuer’s financial and related services partners, including card partners, Card Networks and issuing banks in Canada and the United States of America.
- The KABN Platform may not gain the level of market acceptance needed to make the Resulting Issuer profitable or achieve its growth objectives.
- The KABN Platform will be subject to competing service offering, including new technologies.
- The business of the Resulting Issuer will be subject to significant regulatory and legislative risks.

- The revenues, cash flows, profitability, financial position and market value of the Resulting Issuer can be impacted by uncertainty in the degree of acceptance and use of digital currency.
- The business of the Resulting Issuer will be subject to the risk of data and privacy breaches, which can expose the Resulting Issuer to additional liability and result in the loss of business or an inability to conduct business.
- The potential failure of the Resulting Issuer to manage its growth successfully may have a material and adverse impact on its revenues, cash flows, profitability, financial position and market value.
- The demand for the KABN Platform and the Resulting Issuer's services is dependent on the continued acceptance of the Internet and/or cloud as a communications and commerce platform for individuals and enterprises.
- The demand for the Resulting Issuer's products and services is subject to risks of reputational damage resulting from a number of circumstances including errors or defects, data or privacy breaches, and unsatisfactory client outcomes.
- The business of the Resulting Issuer is subject to risks of fraud and consequent disputes can lead to significant risks of lost revenues.
- The cash flows and financial results of the Resulting Issuer will be subject to foreign exchange fluctuations.
- The Resulting Issuer will be exposed to the risk of claims of infringement of third-party intellectual property rights being brought against it.
- There can be no assurance that the Resulting Issuer will have sufficient capital resources to fund the growth of its business.
- The Resulting Issuer may become subject to liability for hazards against which it cannot or elects not to acquire insurance coverage due to prohibitive costs or for other reasons.
- There can be no assurance that the Resulting Issuer will be able to secure any required financing to sustain its business operations in the future.
- Potential conflicts of interest between the Resulting Issuer and its directors and officers may prevent the Resulting Issuer from procuring corporate opportunities available to the Resulting Issuer in the future.
- The Resulting Issuer will be exposed to the risk of greater than anticipated tax liability from unforeseeable audits of its tax filings.
- The Resulting Issuer will not have obtained any significant customers upon completion of the Business Combination and, therefore, has no assured sources of revenue.
- The success of the Resulting Issuer is largely dependent on a few key officers, consultants and employees.
- Significant shareholders, whose interests may differ from those of the Resulting Issuer and other shareholders, may have substantial influence over matters submitted to a shareholders vote.
- The Resulting Issuer Shares may experience significant price volatility due to extraneous factors including stock market volatility.
- An investment in the Resulting Issuer Shares will carry a high degree of risk and should be considered a speculative investment as the Resulting Issuer will have no history of earnings, limited cash reserves and a limited operating history.
- The Resulting Issuer does not have a dividend policy, and may retain all future earnings.

- The Resulting Issuer will incur substantial legal, financial and securities regulatory compliance costs associated with being a publicly traded company.
- Issuances of additional equity securities by the Resulting Issuer in the event of future financings will dilute the voting power of existing TPS Shareholders and KABN Shareholders.
- Sales of a large number of Resulting Issuer Shares in the public markets, or the potential for such sales, could decrease the trading price of the Resulting Issuer Shares and could impair the Resulting Issuer's ability to raise capital through future sales of Resulting Issuer Shares.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of TPS for use at the TPS Meeting and any adjournments thereof.

TPS will conduct solicitations by mail and officers and employees of TPS may, without receiving special compensation, also telephone or make other personal contact. TPS will pay the costs of solicitation.

At the TPS Meeting, TPS Shareholders will be asked to consider and, if thought advisable, approve, with or without variation, the TPS Resolutions, including but not limited to: the TPS Board Resolution, the TPS Director Election Resolution, the TPS Auditor Resolution, TPS Fundamental Change Resolution approving the Business Combination, the Resulting Issuer Board Resolution, the Resulting Issuer Director Election Resolution, the Resulting Issuer Auditor Resolution, and the Resulting Issue Option Plan Resolution, all as more particularly described herein.

See “The Business Combination”.

### Appointment of Proxyholder

The purpose of a proxy is to designate persons who will vote the proxy on a TPS Shareholder’s behalf in accordance with the instructions given by the TPS Shareholder in the proxy.

**A TPS Shareholder has the right to appoint a person, other than a Management Proxyholder, to represent the TPS Shareholder at the TPS Meeting by striking out the names of the Management Proxyholders and by inserting the desired person’s name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a TPS Shareholder.**

### Voting by Proxy

Only registered TPS Shareholders or duly appointed proxyholders are permitted to vote at the TPS Meeting. Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the applicable notice of Meeting accompanying this Information Circular in accordance with the instructions of the TPS Shareholder on any ballot that may be called for and if the TPS Shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

**If a TPS Shareholder does not specify a choice and the TPS Shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the applicable notice of Meeting and in favour of all other matters proposed by management at the applicable Meeting.**

**The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the applicable notice of Meeting and with respect to other matters which may properly come before each such Meeting.** At the date of this Information Circular, management of TPS knows of no such amendments, variations or other matters to come before the TPS Meeting.

### Completion and Return of Proxy

Each proxy must be dated and signed by the Nominee (as defined in “General Proxy Information – Non-Registered Holders” below) acting on behalf of a TPS Shareholder or by the TPS Shareholder or his/her attorney authorized in writing. In case of a corporation, the proxy must be dated and executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

Completed forms of proxy for TPS must be deposited at the office of TPS’s registrar and transfer agent, TSX Trust Company, by mail at 301-100 Adelaide Street West, Suite 30, Toronto, Ontario M5H 4H1 or by fax at 1-416-947-4277, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the TPS Meeting.

## Non-Registered Holders of TPS Shares

**Only TPS Shareholders whose names appear on the records of TPS as the registered holders of TPS Shares, or duly appointed proxyholders, are permitted to vote at the TPS Meeting.**

Some TPS Shareholders are “non-registered” TPS Shareholders because the shares they own are not registered in their names but instead registered in the name of a Nominee.

In accordance with securities regulatory policy, TPS has distributed copies of the materials for the TPS Meeting, being the applicable notice of TPS Meeting and proxy, letter of transmittal and this Information Circular, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the materials for the TPS Meeting to non-registered holders to seek their voting instructions in advance of the TPS Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order to ensure that your shares are voted at the TPS Meeting.

If you, as a non-registered TPS Shareholder, wish to vote at the TPS Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the TPS Meeting.

**TPS is using the “notice-and-access” provisions of National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer (“NI 54-101”) in connection with the delivery of the TPS Meeting materials. TPS will be sending the TPS Meeting materials directly to “non-objecting beneficial owners” in accordance with NI 54-101 and intends to pay for intermediaries to deliver the TPS Meeting materials to “objecting beneficial owners” as defined in NI 54-101.**

## Revocability of Proxy

Any registered TPS Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered TPS Shareholder, his attorney authorized in writing or, if the registered TPS Shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of TPS at any time up to and including the last Business Day preceding the date of the applicable Meeting, or any adjournment thereof, or with the chairman of the applicable Meeting on the day of such Meeting. **Only registered TPS Shareholders have the right to revoke a proxy.**

## Record Date and Voting of Shares

TPS has set February 7, 2020 as the TPS Record Date for the TPS Meeting. Only TPS Shareholders of record as at that date are entitled to receive notice of and to vote at the TPS Meeting.

TPS is authorized to issue an unlimited number of TPS Shares without par value, and an unlimited number of special shares, of which 59,722,988 TPS Shares were issued and outstanding as of the close of business on the date of this Information Circular. Each issued and outstanding TPS Share confers upon its holder the right to one vote at any meeting of the TPS Shareholders.

## Principal Holders of Voting Securities

To the knowledge of the directors and the officers of TPS, at the date hereof, no person holds, directly or indirectly, or has control or direction over more than ten percent (10%) of the outstanding TPS Shares, except as follows:

Principal Holder	Number of TPS Shares	Percentage of TPS Shares <sup>(1)</sup>
CDS & CO <sup>(2)</sup>	35,148,930	58.85%

- (1) Based on 59,722,988 TPS Shares issued and outstanding as of the date of this Information Circular. TPS believes that all persons hold legal title and TPS has no knowledge of actual TPS Share ownership.
- (2) Management of TPS is unaware of the beneficial TPS Shareholders registered in the name of CDS & CO. CDS & Co., the registration name for The Canadian Depository for Securities, acts as nominee for many Canadian brokerage firms.

### **Interest of Certain Persons in Matters to be Acted Upon**

None of the directors or executive officers of TPS, nor any person who has held such a position since the beginning of the last completed financial year of TPS nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the TPS Meeting other than the approval of the TPS Fundamental Change Resolution, which, if approved, will result in certain directors and officers of TPS continuing as directors and officers of the Resulting Issuer following the Business Combination. Such directors and officers may also benefit from any increase in value of New TPS Shares as a result of the Business Combination. See “The Business Combination – Effect of the Business Combination”.

## **PARTICULARS OF MATTERS TO BE ACTED UPON AT THE TPS MEETING**

### **TPS Board Resolution**

The Articles of TPS provide for a board of directors of no fewer than three directors and no greater than a number as fixed or changed from time to time by majority approval of the TPS Shareholders. At the TPS Meeting, TPS Shareholders will be asked to pass an ordinary resolution to set the number of directors of TPS for the ensuing year at four (4). The number of directors will be approved if the affirmative vote of at least a majority of TPS present or represented by proxy at the TPS Meeting and entitled to vote thereat are voted in favour of setting the number of directors at four (4).

Management of TPS recommends the approval of an ordinary resolution to set the number of directors of TPS at four (4).

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the TPS Shares represented by such form of proxy FOR the TPS Board Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the TPS Board Resolution.

The TPS Board unanimously recommends that TPS Shareholders vote FOR the TPS Board Resolution at the TPS Meeting.

### **TPS Director Election Resolution**

At present, the directors of TPS are elected at each annual general meeting and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with TPS’s Articles or until such director’s earlier death, resignation or removal. The current TPS Board consists of Ravinder S. Mlait, Bryan E. Loree, J. Patrick Mesina and Darren Fast. Management of TPS proposes to nominate all of the current directors (the “**TPS Nominees**”), as further described in the table below, for election by the TPS Shareholders as directors of TPS to hold office until his successor is elected at the next annual meeting of TPS. It is anticipated that in the event that each of the TPS Nominees is elected and the Business Combination is otherwise approved and completed, such TPS Nominees will resign immediately prior to the Business Combination (see “The Business Combination – Principal Steps of the Business Combination”).

<b>Name, Residence and Age</b>	<b>Position With TPS</b>	<b>Principal Occupation for Five Preceding Years<sup>(1)</sup></b>	<b>Director Since</b>	<b>Number of TPS Shares Owned (Directly or Indirectly), Directed or Controlled</b>
Ravinder Mlait, 43, BC	Chief Executive Officer and Director	2011 to present: Chief Executive Officer and Director, Cannabix Technologies Inc.	February 27, 2015	7,699,459 <sup>(3)</sup>

		<p>October 2016 to January 2019: Chief Executive Officer and Director, Micron Waste Technologies Inc.</p> <p>January 2018 to present: President, CEO, Director of TSXV-listed Brockton Ventures Inc.</p> <p>2008 to April 2016: President, Chief Executive Officer and Director, Rockland Minerals Corp.</p>		
Bryan Loree <sup>(1)</sup> , 43, BC	Chief Financial Officer, Secretary and Director	<p>2008 to April 2019: Chief Financial Officer, Secretary, 2008 to Present – Director, International Corona Capital Corp.</p> <p>2011 to present: Chief Financial Officer, Secretary and Director, Cannabix Technologies Inc.</p> <p>January 2018 to present: Director of TSXV-listed Brockton Ventures Inc.</p> <p>August 2016 to January 2018: Chief Financial Officer of Canadian Mining Corp.</p> <p>August 2016 to July 2018: Chief Financial Officer and Director, Isodiol International Inc.</p> <p>2007 to present: Worked as an accountant for various private companies</p>	September 10, 2014	8,006,479 <sup>(3)</sup>
J. Patrick Mesina <sup>(1)(2)</sup> , 42, ON	Director	<p>September 2017 to present: Independent Consultant</p> <p>January 2018 to present: Director of private company, Brockton Ventures Inc.</p> <p>March 2012 to September 2017: Vice President with a Toronto based institutional investment firm</p>	June 4, 2018	Nil <sup>(3)</sup>
Darren Fast <sup>(1)(2)</sup> , 54, MB	Director	<p>October 2012 to present: Director of Technology Transfer, University of Manitoba</p> <p>2005 to Dec 2014: President, Solalta Advisors Ltd.</p> <p>Jul 2009 to Oct 2012: Senior Intellectual Property Advisor, Public Health Agency of Canada</p>	December 1, 2013	2,750,000 <sup>(3)</sup>

Notes:

- (1) Denotes a member of the audit committee of TPS. See “Audit Committee Disclosure”.
- (2) Denotes an independent director.
- (3) Mr. Mlait also owns options to purchase 700,000 TPS Shares at \$0.15 per TPS Share expiring on May 13, 2021. Mr. Loree owns options to purchase 700,000 TPS Shares at \$0.15 per TPS Share expiring on May 13, 2021. Mr. Mesina holds options to purchase 200,000 TPS Shares at \$0.15 per TPS Share expiring on June 4, 2020. Mr. Fast is the director of Technology Transfer at the University of Manitoba, which holds 2,750,000 shares.

See also “The TPS Group – Directors and Officers”.

IN THE EVENT THAT THE DIRECTORS LISTED BELOW UNDER THE HEADING RESULTING ISSUER DIRECTOR ELECTION RESOLUTION ARE CONDITIONALLY ELECTED AT THE TPS MEETING AND THE BUSINESS COMBINATION IS SUCCESSFULLY COMPLETED, THE DIRECTORS LISTED ABOVE WOULD CEASE TO BE DIRECTORS OF TPS AND THE NEW DIRECTORS WILL SERVE AS DIRECTORS OF THE RESULTING ISSUER IN THEIR PLACE.

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the TPS Shares represented by such form of proxy FOR the TPS Director Election Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the TPS Director Election Resolution.

The TPS Board unanimously recommends that TPS Shareholders vote FOR the TPS Director Election Resolution at the TPS Meeting.

#### **TPS Auditor Resolution**

TPS’s auditors are Saturna Group Chartered Professional Accountants LLP. At the TPS Meeting, TPS Shareholders will be asked to approve the re-appointment of Saturna Group Chartered Professional Accountants LLP as TPS’s auditor for the ensuing year, and to authorize the directors to fix the auditor’s remuneration.

IN THE EVENT THAT RSM CANADA LIMITED IS CONDITIONALLY APPOINTED AT THE TPS MEETING AND THE BUSINESS COMBINATION IS SUCCESSFULLY COMPLETED, SATURNA GROUP CHARTERED PROFESSIONAL ACCOUNTANTS LLP WILL BE REPLACED BY RSM CANADA LIMITED, WHO WOULD THEREAFTER SERVE AS THE AUDITORS OF THE RESULTING ISSUER IN THEIR PLACE.

Unless otherwise indicated, the persons designated as proxyholders in the accompany form of proxy will vote the TPS Shares represented by such form of proxy FOR the TPS Auditor Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompany form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the TPS Auditor Resolution.

The TPS Board unanimously recommends that TPS Shareholders vote FOR the TPS Auditor Resolution.

#### **TPS Fundamental Change Resolution**

See “The Business Combination – Approval of Resolutions”.

#### **Resulting Issuer Board Resolution**

The Resulting Issuer Board Resolution is by its terms conditional and effective only upon the completion of the Business Combination. The Resulting Issuer Board Resolution sets the number of directors of the Resulting Issuer at five (5) directors.

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the TPS Shares represented by such form of proxy FOR the Resulting Issuer Board Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the Resulting Issuer Board Resolution.



The TPS Board unanimously recommends that TPS Shareholders vote FOR the Resulting Issuer Board Resolution at the TPS Meeting.

### **Resulting Issuer Director Election Resolution**

At the TPS Meeting, the TPS Shareholders will be asked to elect, conditional and effective only upon the completion of the Business Combination, Houssam (Sam) Kawtharani, Benjamin Kessler, David Lucatch, J. Patrick Mesina and Ravinder Mlait (collectively, the “**Resulting Issuer Board Nominees**”) as directors of the Resulting Issuer.

Management of TPS does not contemplate that any of the Resulting Issuer Board Nominees will be unable to serve as a director upon the completion of the Business Combination.

Biographies of each of the Resulting Issuer Board Nominees are set out below:

#### *Mr. Houssam (Sam) Kawtharani (33)*

Currently, Mr. Kawtharani is a director of KABN and the co-founder of Corl Financial Technologies Inc., a fintech that offers data-driven growth capital to startups. Prior to co-founding Corl Financial Technologies Inc., Mr. Kawtharani was the Head of Product at IOU Financial Inc., a publicly-listed online lender (TSX:IOU), where he supported the company in originating over \$500 million in loans across the United States of America and Canada through continuous product development and innovation. Mr. Kawtharani is also the founder and director of Sam Kay Consultancy Inc. o/a FinBlox Labs, a fintech and blockchain advisory services firm for startups, enterprises and financial institutions. Mr. Kawtharani is also currently an advisor at KABN, AuBit International, EzyStayz Holiday Rentals Pty Ltd., OmniPsarx PBC and Trusted Inc. Holdings Limited. Mr. Kawtharani has a Bachelor of Science in computer science and business administration from the American University of Beirut and a Masters in Engineering from Concordia University.

#### *Mr. Benjamin Kessler (51)*

Mr. Kessler has over 20 years of account management, business development, marketing and partnership experience in the financial services sector. Mr. Kessler is currently Chief Executive Officer of both KABN and KABN Gibraltar. Most recently, Mr. Kessler served as Managing Director, Payments Solution Group – Banc of California from January 2016 to 2017. Prior to that, Mr. Kessler served as Vice President, Global Account Management at Earthport North America TLC from 2013 to 2015. Mr. Kessler has also served as Vice President, Emerging Verticals at Mastercard Worldwide from 2006 to 2011. Mr. Kessler has a Bachelor of Arts degree from Brandeis University and a Master of Business Administration from the New York University Stern School of Management.

#### *Mr. David Lucatch (57)*

Mr. Lucatch has more than 30 years inventing technology and business solutions in the international marketing arena and over 20 years of that developing and taking to market internet and mobile based platforms. Mr. Lucatch has held senior management posts and directorships at both private and public media and technology firms and is currently President and a director of KABN. Mr. Lucatch has a Bachelor of Arts degree with a double major in commerce and economics from the University of Toronto.

#### *Mr. J. Patrick Mesina (42)*

Mr. Mesina is currently a director of both KABN and TPS. Mr. Mesina is also a director of Cortland Credit Group Inc., as well as a director and audit committee member of TSXV-listed Brockton Ventures Inc. Mr. Mesina presently works as a director with a Canadian based institutional investment firm, Cortland Credit Group Inc. Mr. Mesina had served as Vice President with a Toronto based institutional investment firm AIP Private Capital Inc. from March 2012 to September 2017. Since September 2017 he has been a consultant for several companies, including Vive Crop Protection Inc. and Northern Lights Partners Inc. Mr. Mesina has an Honours Bachelor of Arts degree in economics and political science from the University of Toronto.

*Mr. Ravinder Mlait (43)*

Mr. Mlait is currently the Chief Executive Officer and a director of TPS. From December 2013 to present, Mr. Mlait has served as Chief Executive Officer of Cannabix Technologies Inc., an early stage technology company listed on the CSE. From June 2010 to present, Mr. Mlait has served as Chief Executive Officer and President of Rockland Minerals Corp., a mineral exploration company listed on the TSXV. From January 2004 to May 2010, Mr. Mlait performed business development services for Pacific Bay Minerals Ltd., a mineral exploration company listed on the TSXV that carried out exploration activities in Argentina, Quebec and British Columbia. Initially, he was a corporate communications consultant from January 2004 to November 2007 and later was appointed Vice President Business Development from December 2007 to May 2010. Mr. Mlait also acted as a corporate advisory consultant to Cusac Gold Mines Ltd., a then mining issuer listed on the Toronto Stock Exchange from January 2004 to November 2007. Mr. Mlait obtained a Bachelor of Arts degree (Economics) from Simon Fraser University in 1999 and obtained his Masters of Business Administration from Royal Roads University in Victoria, British Columbia in 2010.

**THE RESULTING ISSUER DIRECTOR ELECTION RESOLUTION WILL ONLY BE EFFECTIVE IN THE EVENT THAT THE BUSINESS COMBINATION IS SUCCESSFULLY COMPLETED.**

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the TPS Shares represented by such form of proxy FOR the Resulting Issuer Director Election Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the Resulting Issuer Director Election Resolution.

The TPS Board unanimously recommends that TPS Shareholders vote FOR the Resulting Issuer Director Election Resolution at the TPS Meeting.

#### **Resulting Issuer Auditor Resolution**

At the TPS Meeting, the TPS Shareholders will be asked to approve the appointment of RSM Canada LLP as auditor of the Resulting Issuer conditional and effective only upon the completion of the Business Combination, and to authorize the directors of the Resulting Issuer to fix their remuneration.

**THE RESULTING ISSUER AUDITOR RESOLUTION WILL ONLY BE EFFECTIVE IN THE EVENT THAT THE BUSINESS COMBINATION IS SUCCESSFULLY COMPLETED.**

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the TPS Shares represented by such form of proxy FOR the Resulting Issuer Auditor Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the Resulting Issuer Auditor Resolution.

The TPS Board unanimously recommends that TPS Shareholders vote FOR the Resulting Issuer Auditor Resolution at the TPS Meeting.

#### **Resulting Issuer Option Plan Resolution**

At the TPS Meeting, TPS Shareholders will be asked to approve the Resulting Issuer Option Plan, which will replace the stock option plan of TPS dated June 30, 2016, conditional and effective only upon the completion of the Business Combination.

Pursuant to the Resulting Issuer Option Plan, the TPS Board may from time to time grant to directors, officers, employees and consultants, or investor relations person (as defined in CSE policies) of TPS (collectively, “**Eligible Persons**”), non-transferable and non-assignable options to purchase TPS Shares, exercisable for a period of up to 10 years from the date of grant, provided that the number of TPS Shares reserved for issuance under the Resulting Issuer Option Plan does not exceed 15% of the then issued and outstanding TPS Shares. If, and so long as, TPS is listed on the CSE, the aggregate number of TPS Shares issued or issuable to persons providing investor relations activities as compensation within a 12-month period will not exceed one percent (1%) of the number of issued and outstanding TPS Shares.

The following information is intended to be a brief description of the provisions of the Resulting Issuer Option Plan and is qualified in its entirety by the full text of the Resulting Issuer Option Plan which is attached as Schedule “H” to this Information Circular. The TPS Board may from time to time, in its discretion, and in accordance with the CSE requirements, grant to Eligible Persons non-transferable options to purchase TPS Shares for a period as determined by the TPS Board, such period not to exceed ten years from the date of the grant. Subject to adjustments in the TPS Shares, the aggregate number of TPS Shares reserved for issuance under the TPS Plan will not exceed such number of TPS Shares as is equal to 15% of the total number of TPS Shares issued and outstanding from time to time. If, and so long as, TPS is listed on the CSE, the aggregate number of TPS Shares issued or issuable to persons providing investor relations activities as compensation within a 12-month period will not exceed one percent (1%) of the number of issued and outstanding TPS Shares.

If any optionee ceases to be an Eligible Person for any reason, other than as a result of having been dismissed for cause or as a result of the optionee’s death, such optionee shall have the right for a period of 90 days (or until the normal expiry date of the option rights of such optionee, if earlier) from the date of ceasing to be an Eligible Person to exercise the options of such optionee, to the extent they were exercisable on the date of ceasing to be an Eligible Person, subject to extension by the TPS Board to a maximum of one year with approval from the stock exchange on which the TPS Shares trade, where required and if permitted. Upon the expiration of such 90-day (or up to one year) period all unexercised options of that optionee shall immediately become terminated and shall lapse notwithstanding the original term of option granted to such optionee under the Resulting Issuer Option Plan.

If an optionee ceases to be an Eligible Person as a result of having been dismissed from any such position for cause, all unexercised options of that optionee under the Resulting Issuer Option Plan shall immediately terminate and shall lapse, notwithstanding the original term of the option granted to such optionee under the Resulting Issuer Option Plan.

In the event of the death of an optionee during the currency of the optionee’s option, the option theretofore granted to the optionee shall vest and be exercisable within, but only within, the period of one year next succeeding the optionee’s death (unless such period is extended by the TPS Board with approval from the stock exchange on which the TPS Shares trade where required and if permitted) or until the normal expiry date of the option rights of such optionee, if earlier.

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the TPS Shares represented by such form of proxy FOR the Resulting Issuer Option Plan Resolution. If you do not specify how you want your TPS Shares voted at the TPS Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the TPS Meeting FOR the Resulting Issuer Option Plan Resolution.

The TPS Board unanimously recommends that TPS Shareholders vote FOR the Resulting Issuer Option Plan Resolution at the TPS Meeting.

## THE BUSINESS COMBINATION

### Approval of Resolutions

At the TPS Meeting, TPS Shareholders will be asked to consider and, if thought advisable, approve, with or without variation, the TPS Fundamental Change Resolution approving the Business Combination, all as more particularly described herein, in substantially the form of resolution attached as Schedule “A” to this Information Circular. See “The Business Combination – Further Particulars of the Business Combination” below.

### Principal Steps of the Business Combination

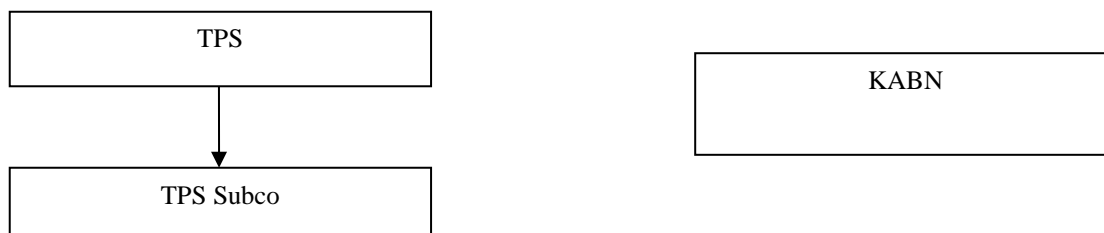
The principal features of the Business Combination may be summarized as set forth below (and are qualified in their entirety by reference to the full text of the Business Combination Agreement, attached as Schedule “F” to this Information Circular).

It is anticipated that KABN will complete a private placement of at least 6,000,000 KABN Units at an issue price of \$0.15 for gross proceeds of at least \$900,000 (the “**Private Placement**”). See “KABN – Private Placement”.

Pursuant to the terms of the Business Combination Agreement:

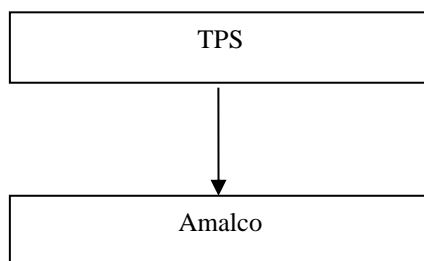
- TPS will consolidate the TPS Shares on the basis of one New TPS Share for every ten TPS Shares then issued and outstanding;
- TPS will change its name to such name as is acceptable to KABN and to the applicable governmental authorities; and
- TPS will acquire all of the issued and outstanding KABN Shares pursuant to a three-cornered amalgamation whereby TPS Subco and KABN will amalgamate to form Amalco, and upon the Amalgamation, the KABN Shareholders will receive one New TPS Share for each one KABN Share held and Amalco will become a wholly-owned subsidiary of TPS, which will be the Resulting Issuer upon the completion of the Business Combination.

### *Prior to the Business Combination*



TPS currently has no subsidiaries other than TPS Subco, which is wholly-owned by TPS. TPS Subco was incorporated on December 20, 2019 under the OBCA with its head office and registered office located at 40 King Street West, Suite 2100, Toronto, Ontario M5H 3C2. TPS Subco has not carried on any business since incorporation and has no assets and no liabilities. TPS Subco was incorporated solely for the purposes of participating in the Business Combination.

***Following the Business Combination***



Following the Business Combination, Amalco will be a wholly owned subsidiary of TPS as the Resulting Issuer. Amalco will be an amalgamated corporation existing under the OBCA and will be named “KABN Systems North America Inc.” The address of the registered and records office of Amalco will be 1-7357 Woodbine Avenue, Suite 605, Markham, Ontario L3R 6L3.

There are currently 59,722,988 TPS Shares issued and outstanding. On Consolidation, there will be approximately 5,972,298 New TPS Shares outstanding. As a result of the Business Combination and assuming completion of the Private Placement, it is expected that the Resulting Issuer will have approximately 57,259,328 issued and outstanding Resulting Issuer Shares on an undiluted basis. Approximately 10.4% of those Resulting Issuer Shares will be held by the current shareholders of TPS and 79.1% will be held by the current shareholders of KABN. The shares held by new “principals” of the Resulting Issuer will be subject to such escrow requirements as may be imposed by the securities regulatory authorities.

Upon completion of the Business Combination and assuming: (i) there are 5,972,298 New TPS Shares and 45,287,030 KABN Shares issued and outstanding immediately prior to the Business Combination; (ii) any outstanding TPS Options will be cancelled in connection with the closing of the Business Combination and there are a further 7,519,899 New TPS Shares reserved for issuance upon exercise of outstanding convertible securities of each of TPS and KABN; (iii) the Private Placement is for gross proceeds of \$900,000 for 6,000,000 KABN Shares and 3,000,000 KABN Warrants; and (iv) there are no further share issues by TPS or KABN, the Resulting Issuer will have approximately 57,259,328 Resulting Issuer Shares issued and outstanding immediately following the completion of the Business Combination, and a further 10,519,899 Resulting Issuer Shares reserved for issue upon exercise of the outstanding convertible securities. The following table summarizes the distribution of Resulting Issuer Shares following the completion of the Business Combination based upon the foregoing assumptions:

<b>Shareholder</b>	<b>Number of Resulting Issuer Shares</b>	<b>Percentage of TPS on a Pro Forma Basis</b>
Former TPS Shareholders	5,972,298	10.4%
Former KABN Shareholders (other than holders of securities issued in connection with the Private Placement <sup>(1)</sup> )	45,287,030	79.1%
Former holders of securities issued in connection with the Private Placement <sup>(1)</sup>	6,000,000	10.5%

Notes:

(1) Assuming Private Placement for gross proceeds of \$900,000.

Full particulars of the Business Combination are contained in the Business Combination Agreement attached hereto as Schedule “F” and incorporated by reference in this Information Circular.

## Available Funds

Assuming completion of the minimum Private Placement and an issue price of \$0.15, KABN will have issued an aggregate of 6,000,000 Units for gross proceeds of \$900,000. See “KABN – Private Placement”.

The net proceeds from the Private Placement are estimated to be as follows:

Description	Private Placement
Gross Proceeds	\$900,000
Agent’s Fees	\$50,000
Net Proceeds	\$850,000

Assuming that the expenses of the Business Combination and Private Placement (exclusive of commissions payable to eligible registrants in connection with the Private Placement) are \$150,000, following the Business Combination and the Private Placement, it is expected that the Resulting Issuer will have funds available to it as set forth below, based upon the completion of the Private Placement prior to the Effective Date:

Source	Funds
Estimated working capital of TPS as of December 31, 2019	\$0
Estimated working capital of KABN as of December 31, 2019	\$10,000
Net proceeds from Private Placement <sup>(1)</sup>	\$850,000
Less expenses of the Business Combination	\$150,000
Total available funds	\$700,000

Notes:

(1) Assuming Private Placement for gross proceeds of \$900,000.

The primary purposes of the Business Combination and Private Placement are to obtain additional equity capital for the Resulting Issuer, create a public market for the KABN Shares and facilitate future access by the Resulting Issuer to financing opportunities. It is expected that the Resulting Issuer will use the total funds available set forth above for the purposes described below:

Use of Proceeds <sup>(1)</sup>	Funds
Payment of fees related to the KABN License	\$450,000
Management, administrative and technical staff	\$150,000
General corporate expenses and working capital	\$100,000
Total	\$700,000

Notes:

(1) The use of proceeds is designed to get the Resulting Issuer to a point where it can sustain itself from operations. There are revenues/margins that offset the total cost of staff and overhead costs. However, the weight of costs that are incurred in the first half of 2020 include the fees related to the KABN License while the Resulting Issuer ramps up its salaried teams and overhead burden based on the scale of the business.

See “The Resulting Issuer – Available Funds”.

## **Further Particulars of the Business Combination**

### ***Reasons for the Business Combination***

The business combination between the TPS Group and KABN pursuant to the Business Combination Agreement was negotiated by KABN and TPS on the basis that it will create long-term value for KABN Shareholders and TPS Shareholders. In particular, KABN entered into the Business Combination for the purposes of becoming publicly listed, which will provide it with greater ability to attract capital resources and expand its business, whereas TPS, which is essentially inactive, would benefit by acquiring KABN's active business consisting of the online identity, financial and related services business currently being developed and operated by KABN. For further details, refer to "The Business Combination – Further Particulars of the Business Combination – Recommendations of the Directors".

In determining the number of Resulting Issuer Shares to be issued in exchange for the New TPS Shares and KABN Shares, the TPS Board and KABN Board, respectively, considered a number of relevant factors including the market value, financial and other assets, liabilities, contingent liabilities and risks as applicable to each of the TPS Group and KABN.

See "The Business Combination – Further Particulars of the Business Combination – Recommendations of the Directors", and the financial statements attached to this Information Circular.

### ***Recommendations of the TPS Directors***

**The TPS Board has reviewed the terms and conditions of the Business Combination Agreement and the transactions contemplated thereunder and have concluded that such transactions are fair and reasonable to the TPS Shareholders, and in the best interests of TPS. The TPS Board therefore recommends that the TPS Shareholders vote in favour of the TPS Fundamental Change Resolution. Management Proxyholders intend to vote proxies received in favour of management for the approval of the TPS Fundamental Change Resolution.**

In arriving at its respective conclusion, the TPS Board considered, among other matters:

- information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both the TPS Group and KABN;
- the future prospects of the business of each of the TPS Group and KABN;
- through greater size and diversity, TPS Shareholders and KABN Shareholders will have more exposure to potential investment opportunities;
- current economic and financial market conditions;
- the procedures by which the Business Combination is to be approved;
- the tax treatment of TPS Shareholders in connection with the Business Combination;
- the management group and technical team of KABN; and
- the regulations of the CSE regarding Fundamental Changes.

The TPS Board also identified disadvantages associated with the Business Combination Agreement and the transactions contemplated thereunder, including the fact that after the Business Combination:

- (a) TPS Shareholders will be subject to dilution of their interest in TPS; and
- (b) the risk factors applicable to the Business Combination, and each of KABN and TPS respectively. See "The Business Combination – Further Particulars of the Business Combination – Business Combination Risk Factors" and "Resulting Issuer – Risk Factors".

### ***Business Combination Risk Factors***

Holding the Resulting Issuer Shares, including those to be issued pursuant to the Business Combination Transaction, is subject to a number of risk factors. Shareholders of TPS should review carefully the risk factors set forth under “The TPS Group – Risk Factors”, “KABN – Risk Factors” and “Resulting Issuer – Risk Factors”.

### ***Conduct of the TPS Meeting and Approvals of the Business Combination***

#### ***Shareholder Approval of the Business Combination***

In accordance with the terms of the Business Combination Agreement, in order for the Business Combination to be effected, among other things, (i) the TPS Fundamental Change Resolution must be approved by the TPS Shareholders; and (ii) the KABN Amalgamation Resolution must be approved by the KABN Shareholders. The TPS Fundamental Change Resolution to be presented to the TPS Meeting is substantially as set forth in Schedule “A” to this Information Circular.

**The Management Proxyholders of TPS named in the attached form of proxy intend to vote in favour of the TPS Fundamental Change Resolution, unless a TPS Shareholder specifies in the proxy that his or her TPS Shares are to be voted against the TPS Fundamental Change Resolution.**

The TPS Board reserves the right at any time prior to the issuance of the Certificate of Amalgamation to determine not proceed with the Amalgamation and the Business Combination.

#### ***Regulatory Approvals***

In addition to the shareholder approvals described above, certain Regulatory Approvals will also be required in order to consummate the Business Combination. In particular, the CSE has to approve the Listing of the Resulting Issuer Shares to be issued in connection with the Business Combination and the Listing is subject to TPS fulfilling all of the requirements of the CSE prior to completion of the Business Combination.

**Shareholders of TPS should be aware that the final approvals have not yet been given by the regulatory authorities referred to above. TPS cannot provide any assurances that such approvals will be obtained.**

#### ***Procedure for Exchange of TPS Shares***

Following the Effective Date, a letter of transmittal will be forwarded to the TPS Shareholders and KABN Shareholders containing instructions as to how to exchange their certificates representing TPS Shares or KABN Shares, as applicable, for certificates representing Resulting Issuer Shares.

#### ***Procedure for Exchange***

- (a) In order to receive certificates representing Resulting Issuer Shares issued pursuant to the Business Combination, TPS Shareholders and KABN Shareholders must deliver to the Depositary (i) their certificates representing TPS Shares or KABN Shares, as applicable; (ii) a duly completed letter of transmittal and (iii) such other documents as the Depositary may require; and
- (b) Upon return of a properly completed letter of transmittal, together with certificates representing TPS Shares or KABN Shares, as applicable, and such other information as requested by the Depositary, certificates for the appropriate number of Resulting Issuer Shares will be distributed without charge.

Certificates for the Resulting Issuer Shares issued to a TPS Shareholder or KABN Shareholder who provides the appropriate documentation described above, shall be registered in such name or names and will be delivered to such address or addresses as such holder may direct in the letter of transmittal as soon as practicable after the receipt by the Depositary of the required documents.

**Please do not send the letter of transmittal or share certificates to the Depositary until TPS and KABN announce by press release that the Business Combination will become effective.** No delivery of a certificate evidencing a Resulting Issuer Share to a TPS Shareholder or KABN Shareholder will be made until the TPS Shareholder or KABN Shareholder, as applicable, has surrendered its current issued certificates.



### *Fractional Shares*

No fractional shares will be issued to TPS Shareholders otherwise entitled to them. Instead, the number of Resulting Issuer Shares to be issued to a TPS Shareholder will be rounded down to the nearest whole Resulting Issuer Share.

The foregoing information is a summary only. For further details of procedures, see the Business Combination Agreement attached as Schedule “F”.

### *Fees and Expenses*

In accordance with the Business Combination Agreement, all expenses incurred in connection with the Business Combination and the transactions contemplated thereby shall be paid by KABN, provided that KABN shall not be responsible for the costs and expenses of TPS if the Business Combination is not completed as a result of the failure of TPS to comply with the terms and conditions of the Business Combination Agreement, or the failure of shareholders of TPS to approve the Business Combination, in each case in accordance with all applicable provisions of the OBCA and the regulations of the CSE.

### *Canadian Federal Income Tax Considerations*

**Because the tax consequences of the Business Combination may vary depending upon the particular circumstances of each shareholder and other factors, all holders of TPS and KABN securities are urged to consult with their own tax advisers to determine the particular tax consequences to them of the Business Combination.**

For Canadian federal income tax purposes, a KABN Shareholder whose KABN Shares represent “capital property” generally will not realize a capital gain or capital loss on the exchange of such shares for Resulting Issuer Shares in connection with the Business Combination.

### *United States Income Tax Considerations*

Completion of the Business Combination may have tax consequences under the laws of the United States, and any such tax consequences are not described in this Information Circular. United States shareholders of TPS and KABN are urged to consult their own tax advisors to determine any particular tax consequences to them of the transactions completed in connection with the Business Combination.

### *Securities Laws Considerations*

The following is a brief summary of the securities law considerations applying to the transactions contemplated herein.

#### *Canadian Securities Laws*

Each holder is urged to consult such holder’s professional advisers to determine the Canadian conditions and restrictions applicable to trades in the Resulting Issuer Shares. Resales of any securities acquired in connection with the Business Combination may be required to be made through properly registered securities dealers.

#### Status of TPS Under Canadian Securities Laws

TPS has been a “reporting issuer” in the provinces of British Columbia, Alberta, Manitoba and Ontario for more than four months. It is a condition of the Business Combination that the Resulting Issuer Shares issued in connection with the Business Combination are approved for listing on the CSE (the “**Listing**”).

#### Issuance and Resale of Resulting Issuer Shares Under Canadian Securities Laws

The issuance of the Resulting Issuer Shares to KABN Shareholders pursuant to the Business Combination will constitute a distribution of securities, which is exempt from the prospectus requirements of Canadian securities legislation. The Resulting Issuer Shares may be resold without restriction in each of the provinces and territories of Canada, provided the holder is not a ‘control person’ as defined in the applicable securities legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

## *U.S. Securities Laws*

**All U.S. Shareholders are urged to consult with their own legal counsel to ensure that the resale of Resulting Issuer Shares issued to them under the Business Combination complies with applicable securities laws. Further information applicable to U.S. Shareholders is disclosed under the heading “Note to United States Shareholders”.**

## *Anticipated Effective Date*

If the Business Combination Resolutions are passed at the TPS Meeting, and all conditions set out under “Conditions to the Business Combination Becoming Effective” below are met, it is anticipated that the Business Combination will be completed on or about April 3, 2020.

## **Business Combination Agreement**

The steps of the Business Combination, as set out in the Business Combination Agreement, are summarized under “The Business Combination – Principal Steps of the Business Combination”.

The general description of the Business Combination Agreement which follows is qualified in its entirety by reference to the full text of the Business Combination Agreement.

## *General*

TPS and KABN have entered into the Business Combination Agreement.

In the Business Combination Agreement, TPS and KABN provide representations and warranties to one another regarding certain customary commercial matters, including corporate, legal and other matters, relating to their respective affairs.

Under the Business Combination Agreement, TPS and KABN have each agreed to seek the approval of their respective shareholders for the applicable aspects of the Business Combination required to be approved by such shareholders. TPS and KABN have each also agreed to use their respective commercially reasonable efforts to satisfy the conditions to the Business Combination set forth in the Business Combination Agreement, all in accordance with the terms thereof.

## *Representations, Warranties and Covenants*

The Business Combination Agreement contains customary representations and warranties made by each of the parties in respect of the respective assets, liabilities, financial position, business and operations of TPS, TPS Subco and KABN. Both TPS and KABN also provided covenants in favour of each other in the Business Combination Agreement which govern the conduct of the operations and affairs of each respective party prior to the Effective Date.

The Business Combination Agreement contains mutual non-solicitation provisions in favour of both TPS and KABN. KABN and its officers, directors, employees, agents or affiliates covenant not to, directly or indirectly, (i) solicit, encourage or conduct discussions with or engage in negotiations with any person, other than TPS, relating to the possible acquisition of KABN or any of its affiliates or any material portion of its shares or assets, (ii) provide information with respect to KABN or any of its affiliates to any Person, other than TPS and TPS Subco, relating to the possible acquisition of KABN or a material portion of its shares or assets, (iii) enter into an agreement with any Person, other than TPS and TPS Subco, providing for the acquisition of TPS, TPS Subco or any of their affiliates or any material portion of its shares or assets, or (iv) make or authorize any statement, recommendation or solicitation in support of any possible acquisition of such party or any material portion of its shares or assets by any Person, other than by TPS and TPS Subco.

TPS and its officers, directors, employees, agents or affiliates covenant not to, directly or indirectly, (i) solicit, encourage or conduct discussions with or engage in negotiations with any Person, other than KABN, relating to the possible acquisition of TPS or any of its affiliates or any material portion of its shares or assets, (ii) provide information with respect to TPS to any person, other than KABN, relating to the possible acquisition of TPS or any of its affiliates or any material portion of its shares or assets, (iii) enter into an agreement with any Person, other than KABN,

providing for the acquisition of TPS or any of its affiliates or any material portion of its shares or assets, or (iv) make or authorize any statement, recommendation or solicitation in support of any possible acquisition of such party or any material portion of its shares or assets by any Person, other than by KABN.

In addition to the foregoing, any unsolicited offer or proposal to enter negotiations relating to any of the above, KABN and TPS, as applicable shall immediately notify the other party thereof, including information as to the identity of the offeror or the party making any such offer or proposal and the specific terms of such offer or proposal, as the case may be, subject to the fiduciary duties of the board of directors of KABN and TPS.

#### ***Conditions to the Business Combination Becoming Effective***

The Business Combination Agreement contains certain conditions precedent to the obligations of TPS, TPS Subco and KABN to complete the Business Combination. Unless all of such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, the Business Combination will not be completed. The following is a summary of the significant conditions contained in the Business Combination Agreement:

- (a) the representations and warranties of TPS, TPS Subco and KABN set forth in the Business Combination Agreement, qualified as to materiality, being true and correct, and the representations and warranties not so qualified bring true and correct in all material respects as of the date of the Business Combination Agreement and on the Effective Date as if made on the Effective Date, except for such representations and warranties made expressly as of a specified date which shall be true and correct in all material respects as of such date;
- (b) each of TPS, TPS Subco and KABN having performed and complied in all material respects with all covenants and agreements required by the Business Combination Agreement to be performed or complied with by it prior to or on the Effective Date;
- (c) from and after November 21, 2019, TPS not having undertaken any business other than in connection with the completion of the Business Combination;
- (d) the KABN Shareholders having approved the KABN Amalgamation Resolution;
- (e) the TPS Shareholders having approved the TPS Fundamental Change Resolution;
- (f) the New TPS Shares being conditionally approved for listing on the CSE;
- (g) the Consolidation and the Name Change being effective;
- (h) Dissent rights having been exercised in respect of no more than 5% of the issued and outstanding SVT Shares;
- (i) TPS and KABN being satisfied that the exchange of New TPS Shares for KABN Shares is qualified or exempt from registration or qualification under all applicable United States federal and state securities laws;
- (j) The issued and outstanding TPS Options held by certain current and former officers and directors of TPS having been cancelled on conditions reasonably acceptable to TPS, TPS Subco and KABN and any other convertible securities or similar instruments or agreements of KABN providing for the issuance of securities of KABN, following the Business Combination, being convertible into or providing for the issuance of securities of TPS in accordance with their terms or having been assumed in writing by TPS such that they will be convertible into or provide for the issuance of securities of TPS following the Business Combination.
- (k) All of the current directors and officers of TPS and TPS Subco, other than J. Patrick Mesina and Ravinder Mlait, having resigned without payment by or any liability to TPS, KABN, TPS Subco or Amalco, and each such director and officer shall have executed and delivered a release in favour of TPS, KABN, TPS Subco or Amalco, in a form acceptable to TPS and KABN, each acting reasonably;
- (l) Each of J. Patrick Mesina and Ravinder Mlait having entered into a lock-up agreement with TPS that provides that their New TPS Shares may not be transferred, subject to typical exceptions and subject to release from such restrictions as to 50% on the date that is 6 months from the closing and as to the remaining 50% on the date that is 12 months from the closing;

- (m) TPS and TPS Subco having no liabilities other than as set out in the last publicly filed financial statements of TPS, provided that such amounts shall be no more than \$21,863;
- (n) KABN having raised aggregate gross proceeds of at least \$750,000 pursuant to the December 10 Private Placement and the Private Placement;
- (o) all consents, waivers, permits, exemptions, orders, consents and approvals required to permit the completion of the Business Combination, the failure of which to obtain could reasonably be expected to have a material adverse effect on KABN or TPS or materially impede the completion of the Business Combination, having been obtained;
- (p) no temporary restraining order, preliminary injunction, permanent injunction or other order preventing the consummation of the Business Combination being issued by any federal, state, or provincial court (whether domestic or foreign) having jurisdiction and remain in effect;
- (q) on the Effective Date, no cease trade order or similar restraining order of any other provincial securities administrator relating to the TPS Shares, the New TPS Shares, the KABN Shares or the Amalco Shares being in effect;
- (r) there shall not be pending or threatened any suit, action or proceeding by any governmental entity, before any court or governmental authority, agency or tribunal, domestic or foreign, that has a significant likelihood of success, seeking to restrain or prohibit the consummation of the Business Combination or any of the other transactions contemplated by the Business Combination Agreement or seeking to obtain from TPS, TPS Subco or KABN any damages that are material in relation to TPS, TPS Subco and KABN and their subsidiaries taken as a whole; and
- (s) the distribution of Amalco Shares and the New TPS Shares pursuant to the Business Combination shall be exempt from the prospectus requirements of applicable Canadian securities laws either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of applicable exemptions under applicable Canadian securities laws and shall not be subject to resale restrictions under applicable Canadian securities laws other than as applicable to Control Persons or pursuant to section 2.6 of National Instrument 45-102 – Resale of Securities of the Canadian Securities Administrators.

**The full particulars of the Business Combination are contained in the Business Combination Agreement attached as Schedule “F” to this Information Circular. See also “Business Combination Agreement” below.**

**Notwithstanding the approval of the TPS Fundamental Change Resolution by TPS Shareholders and the KABN Amalgamation Resolution by KABN Shareholders, each of the foregoing resolutions authorize the directors of TPS and KABN, as applicable, to abandon the transactions contemplated by the Business Combination Agreement without further approval from the TPS Shareholders or KABN Shareholders, respectively.**

### ***Termination***

The Business Combination Agreement may, with certain exceptions, be terminated at any time prior to the Effective Date, in the circumstances specified in the Business Combination Agreement, including: (a) by mutual agreement in writing by TPS, TPS Subco and KABN; (b) by TPS, TPS Subco or KABN if a condition in its favour or a mutual condition is not satisfied by April 30, 2020; (c) by TPS or KABN if: (i) there has been a breach of any of the representations, warranties, covenants and agreements on the part of the other party, which breach has or is likely to result in the failure of the conditions precedent set out in the Business Combination Agreement and is not cured within ten business days following receipt by the breaching party of written notice of such breach by the non-breaching party; (ii) any permanent order or decree preventing the consummation of the Business Combination has become final and non-appealable; (iii) the other party (or the board of directors or any committee of such party) withdraws or modifies in a manner adverse to the initial party its approval of the Business Combination Agreement or its recommendation to shareholders to vote in favour of the resolutions necessary to the completion of the Business Combination; or (iv) the Business Combination is not completed by April 30, 2020 (provided that the party then seeking to terminate the Business Combination Agreement is not then in default of any of its obligations under it).

## INTERESTS OF INSIDERS

The following table sets forth the number and percentage of Resulting Issuer Shares which are expected to be beneficially owned, controlled or directed by the proposed principals of the Resulting Issuer immediately following the Business Combination, as well as the securities of each of KABN and TPS beneficially owned, controlled or directed by such persons as of the date of this Information Circular:

Name and proposed position with Resulting Issuer following the Business Combination	Number and percentage of KABN Shares held as of the date of this Information Circular <sup>(1)</sup>	Number and percentage of TPS Shares held as of the date of this Information Circular <sup>(1)</sup>	Number and percentage of Resulting Issuer Shares to be held following the Business Combination and the Private Placement <sup>(2)</sup>
Benjamin Kessler Chief Executive Officer and Director	675,000 1.49%	Nil	675,000 1.18%
Bryan Loree Interim Chief Financial Officer	Nil	8,006,479 13.4%	800,648 1.40%
David Lucatch President and Director	13,575,000 29.98%	Nil	13,575,000 23.71%
Houssam (Sam) Kawtharani Director	100,000 0.22%	Nil	100,000 0.17%
J. Patrick Mesina Director	175,000 0.39%	Nil	175,000 0.31%
Ravinder Mlait Director	Nil	7,699,459 12.89%	769,946 1.34%

Notes:

- (1) The information as to the number and percentage of securities beneficially owned, controlled or directed, has been obtained from the persons listed individually. No individual listed currently anticipate participating in the Private Placement.
- (2) Calculated based upon the securities of each of KABN and TPS beneficially owned, controlled or directed by such persons reported as of the date of this Information Circular, on a diluted basis, after giving effect to the Business Combination and Private Placement for estimated gross proceeds of \$900,000 and as otherwise contemplated in this Information Circular. See also “Resulting Issuer – Escrowed Securities”.

No director or officer of either of TPS has any material interest, direct or indirect, in any matter to be acted upon at the TPS Meeting, other than as described in the immediately preceding table and as set forth below:

- (i) certain of the directors and officers of TPS are also shareholders of TPS (see “The TPS Group – Directors and Officers”) and accordingly, such individuals have an interest in the TPS Fundamental Change Resolution as in the event of approval of such resolutions, they would be entitled receive Resulting Issuer Shares in connection with the Business Combination (see “The Business Combination – Effect of the Business Combination”) ;and
- (ii) in the event of approval of the Business Combination Resolutions, certain of the directors and officers of TPS will continue as the directors and officers of the Resulting Issuer following the Business Combination, and accordingly such directors and officers of TPS have an interest in the Business Combination Resolutions in connection with both their continued directorships.

The Business Combination is an arm’s length transaction to each of TPS and KABN.

## KABN

The following information is presented on a pre-Business Combination basis and is reflective of the current business, financial and share capital position of KABN. See “Resulting Issuer” for pro forma business, financial and share capital information relating to KABN after giving effect to the Business Combination.

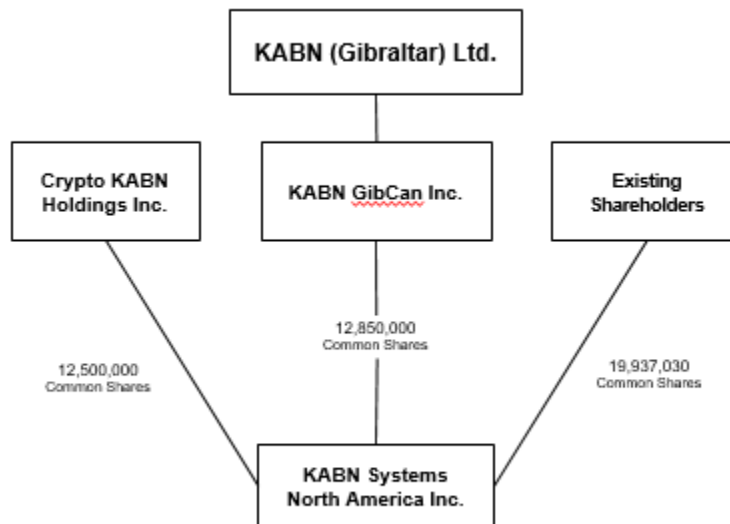
### Name and Incorporation

KABN Systems North America Inc. was incorporated pursuant to the OBCA on May 1, 2019.

The registered and head office of KABN is located at 1-7357 Woodbine Avenue, Suite 605, Markham, Ontario L3R 6L3.

KABN does not have any subsidiaries, past or present. KABN licenses the use of technology and know-how from KABN Gibraltar. KABN Gibraltar is a minority shareholder in KABN and is under common control with KABN by way of its Chair of the Board and management team. KABN, through its license with KABN Gibraltar, also uses certain names and trademarks and other intellectual property of Crypto KABN. Crypto KABN is also minority shareholder in KABN.

The following chart illustrates the organizational structure of KABN and its affiliates:



### General Development of the Business

On May 15, 2019, KABN entered into the KABN License Agreement pursuant to which KABN licenses the use of technology and know-how from KABN Gibraltar.

In July, August and December, 2019, KABN completed private placements for aggregate gross proceeds of \$1,278,703 through the sale of 12,787,030 units (the “KABN Private Placement Units”).

On January 13, 2020, KABN entered into the Business Combination Agreement (see “The Business Combination – Business Combination Agreement”).

## Narrative Description of the Business

### *Overview*

Founded by a group of former banking, payments, technology and loyalty executives, KABN is the first licensee of KABN Gibraltar's financial services platform that is focused on the Millennial generation, Gen-X and Gen-Z. KABN Gibraltar's and KABN's mission is to create a world-class suite of products and services that support the decentralized market economy, enabling consumers to take control of their digital identity and personal data, connecting them with digital currency-linked financial services and loyalty platforms. KABN will be the sole provider of these products and services in Canada and the United States of America. KABN's value proposition is to create customer value through the verification, management and monetization of identity. KABN's service offering will engage with both traditional currencies and new digital currencies, in combination with a low cost of customer acquisition, approval by Card Networks such as VISA, brand partnerships and scalability, to create a highly efficient revenue focused environment supporting both its clients and customers.

The KABN Platform consists of:

- **KABN ID:** a blockchain and biometrically based, patent-pending, General Data Protection Regulations (GDPR) compliant, "always on" ID validation and verification process at its core;
- **KABN Card:** new types of financial and related services through a Card Network-approved, digital currency-linked prepaid card and mobile banking wallet program for a variety of digital currencies and multi-currency fiat transactions; and
- **KABN KASH:** a robust loyalty and customer engagement platform.

KABN is the exclusive licensee of the intellectual property that is comprised in the KABN ID, KABN Card and KABN KASH programs in Canada and the United States of America.

### *About the KABN Platform*

KABN plans to fulfill the growing demand for compliance solutions from next generation financial technology start-ups, exchanges, security token issuers and other financial service providers in Canada and the United States of America (the "**KABN Clients**"). The KABN Platform aims to address the following challenges that KABN has identified in the market:

- KABN Clients require both domestic and international compliance solutions;
- KABN Clients require KYC and AML screened, "good-to-go" customers;
- KABN Clients want to avoid the rigors and liability for storing sensitive personal and other data that is only required to confirm identity;
- Millennial, Gen-X and Gen-Z consumers increasingly want a broader spectrum of non-traditional financial and related services and to spend digital currency on everyday items; and
- Millennial, Gen-X and Gen-Z consumers want differentiated personalized offers and discounts, including experiential reward opportunities.

KABN Gibraltar has created a B2B2C (Business to Business to Consumer) infrastructure and patent-pending technology platform, which clients of KABN Gibraltar and KABN ("**Clients**") and the customers of these Clients ("**Customers**"), are able to engage in simple and streamlined compliance actions, which formerly required complex, multi-session and time-consuming identity attestation. KABN Gibraltar has fashioned those actions into turn-key, leveraged smart contract registries. KABN Gibraltar and KABN will leverage this ecosystem of Clients and Customers (the "**KABN Ecosystem**") to provide financial and other services to digital currency enthusiasts as well as to others that are looking for more intuitive ways to manage online and conventional fiat transactions.

Built on a proprietary identity-focused compliance layer, KABN ID, the KABN Platform offers KABN Clients and Customers in North America a suite of financial and related services. The KABN Platform not only allows for more seamless compliance and participation in online services and opportunities but also what management believes is a suite of financial services that breaks down walls between the digital economy and “Main Street” payments.

The KABN Platform’s three (3) core products are:

- **KABN ID:** An industry grade, patent-pending biometric ID validation and verification technology platform that, together with KYC and AML requirements, KABN ID provides a “marker” on the blockchain that can be used to validate the identity of an individual without disclosing any personally identifying information. KABN ID is the anchor for the KABN Ecosystem and the KABN Platform as Customers in North America (“**KABN Customers**” or “**KABN Identity Managed Customers**”) are validated and added to the KABN Gibraltar “whitelist” (the “**KABN Global Whitelist**”), providing opportunities for additional services to be offered to such individuals. KABN ID is fully compliant with the GDPR, including user notice and permissions and requires user acceptance and consent to the transfer of data outside of Canada and the United States of America and to the European Union.
- **KABN Card:** KABN has entered into an agreement with a recognized Card Network to manage a program that offers users a digital currency-linked prepaid network card and a related mobile banking wallet program. Each KABN Identity Managed Customer is eligible to receive the card and corresponding mobile banking wallet of the program (the “**KABN Mobile Banking Wallet**”). Branded the “Pegasus Flyte Prepaid Card”, the KABN Card program will offer an “on/off ramp” conversion process for a variety of digital currencies, including approved cryptocurrencies, loyalty points, third party engagement or incentive program rewards, wallets and exchanges to fiat, such as USD, GBP and Euros, together with multi-currency fiat transactions. Pegasus Flyte Prepaid Card holders will be able to spend in-store and online, plus access ATMs globally, wherever the card is accepted. The KABN Mobile Banking Wallet offers an integrated multi-currency and digital currency sub-account in order to facilitate the conversion of digital currencies to fiat currencies and vice versa.
- **KABN KASH:** KABN’s loyalty program is designed to engage KABN Identity Managed Customers and capture data in targeted offers and services. This program provides KABN Identity Managed Customers with the opportunity to transact with their Pegasus Flyte Prepaid Card at e-commerce websites and brick and mortar stores affiliated with the program, while earning “KABN KASH” loyalty rewards. Although the KABN KASH program is still in development, merchants that will be deployed with the KABN KASH affiliate mall are some of the most popular and highly trafficked North American online merchants in key high spend retail categories including, but not limited to, electronics, travel, event ticketing, online fashion and groceries.

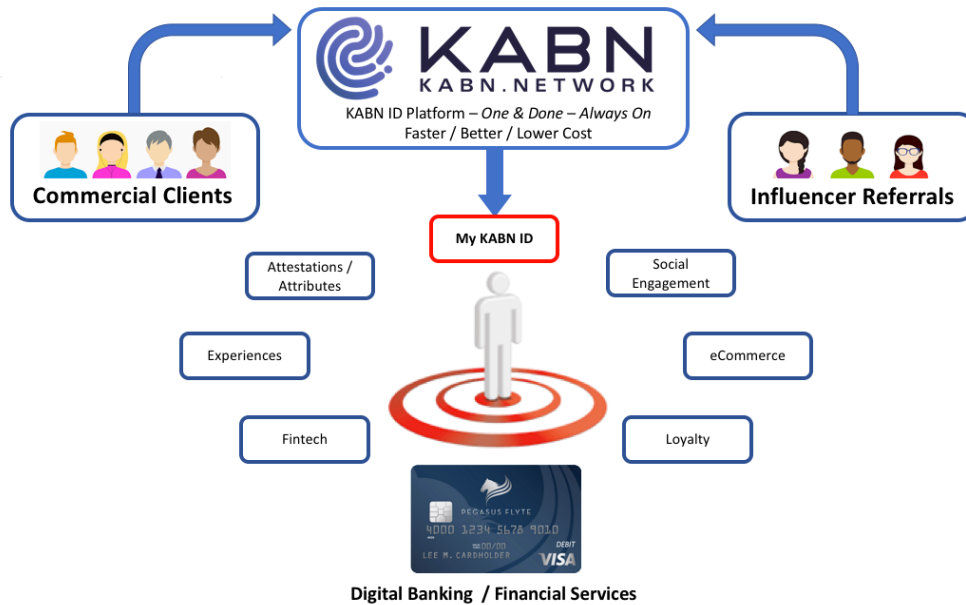
KABN has the exclusive license from KABN Gibraltar to operate the services provided by the KABN Platform in Canada and the United States of America and has been using its identity systems platform with early stage clients while continuing platform enhancements since early May 2019.

### ***Customer Acquisition***

KABN Gibraltar and KABN extends its business development reach via a referral network that can introduce KABN to prospective KABN Clients. In most cases, these are introductions to key organizations and individuals that are strategically attractive to KABN and can benefit from the products and services offered either as a KABN Client or partner. There are two main sources for KABN Customers:

- **Commercial clients** – KABN plans to work with KABN Clients and other merchants who can provide banking and financial service related offers and incentives such as wealth management, insurance, and other payment-related products and services to the KABN Platform.
- **Influencer referrals** – KABN plans to work with influencers in sports, entertainment and media who can refer individuals and groups to the KABN Platform.





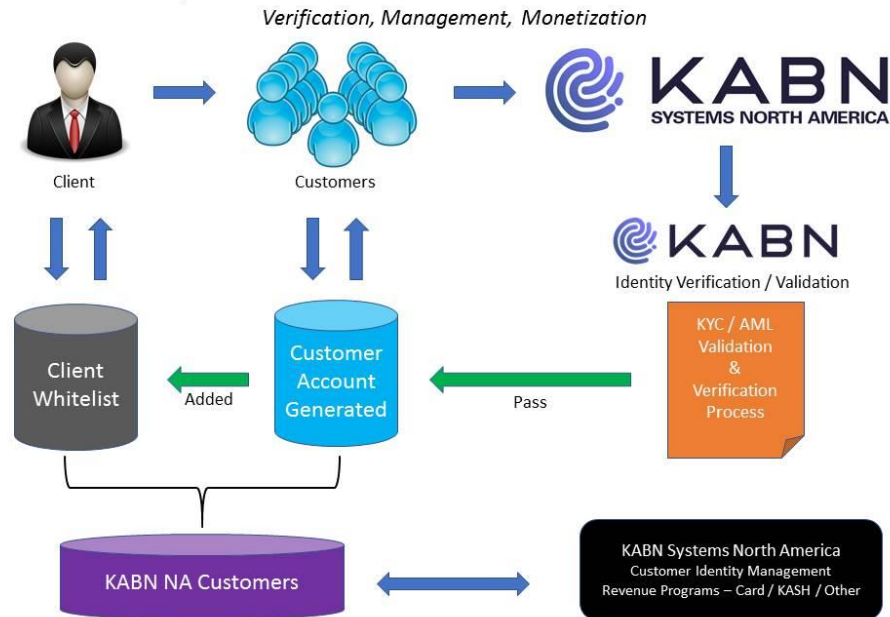
### *How KABN Generates Revenues*

KABN Clients and KABN Identity Managed Customers will actively and passively generate revenue for KABN through everyday use of products on the KABN Platform:

- **KABN ID** – KABN will receive compliance implementation screening attempt and success fees from KABN Clients that use KABN ID to effect compliance validation and identify validation. KABN Clients are expected to pay between US\$0.75 and US\$1.25 per attempted validation plus implementation and other customization fees where applicable.
- **KABN Card** – KABN will receive a portion of market standard merchant and ATM interchange fees generated when KABN Identity Managed Customers use the Pegasus Flyte Prepaid Card to purchase goods or services or use the card at an ATM. KABN will also receive fees for converting digital currencies and fiat currencies to other crypto and fiat currencies within the KABN Mobile Banking Wallet program. Fees paid by holders of the Pegasus Flyte Prepaid Card are outlined in the cardholder agreement.
- **KABN KASH** – As KABN Customers shop at e-commerce merchant partners, each transaction may produce a commission back to KABN. KABN will pay a percentage of the commissions from affiliate sales as “cash back” to the KABN Customer onto their Pegasus Flyte Prepaid Card. Typically, retailers pay out an average of 4-5%. As the KABN Customer accrues their cash back, it will be applied to the card to encourage future spending. KABN will also receive loyalty and affiliate commissions from partners. Additionally, KABN earns incremental revenue from interchange fees associated with spending on the Pegasus Flyte Prepaid Card. The more transactions a cardholder makes with the Pegasus Flyte Prepaid Card, the more fee revenue KABN will derive.

At the date of this Information Circular, KABN has been generating initial revenues from KABN ID products since June 2019 with revenues from the KABN Card and KABN KASH program expected to be ramped up in Q1 2020.

## KABN Systems North America Business Process



### *Additional Revenue Sources*

In addition to financial services related offering of the KABS Platform, KABS Identity Managed Customers will be offered permission-based services that allow them to participate in offers from KABS and select third parties. For example, KABS may offer KABS Customers the opportunity to participate in surveys, promotions and contests whereby KABS Customers can provide additional, non-personal data that will enhance their profiles, allowing them to create a richer and deeper “aggregated” profile of goods and services that interest them. Future offers can be targeted to a KABS Customer’s aggregated data, which may also provide commission or referral revenues. KABS will not be rent or sell its list of KABS Identity Managed Customers (except upon a sale of KABS or upon a sale of KABS Gibraltar or the KABS Global Whitelist). All offers will come directly through a customer portal or direct messaging, based on permissions.

Given that the KABS Identity Managed Customer, without personal disclosure, is a KYC/AML continuously monitored individual, KABS anticipates that using aggregated, non-personal data, third party vendors will be able to provide more targeted offers given that they are a “real” person with specific non-personal targeted data, bringing more value to the customer, KABS and the party making the offer.

*In addition to its primary financial services model, KABN's permission based system offers its Identity Managed Customers the ability to potentially participate in a host of other opportunities...*



## ***Competitive Strengths***

### Transportable Identification

The KABN Platform will provide a value proposition that management believes is currently unlike others in the industry in Canada and the United States. By taking a process that historically is transactional, costly and fraught with friction, KABN, through the KABN Platform, has the ability to offer a “one and done” process - an essentially transportable “always-on” identification. The value of KABN ID and how it is maintained enables those who are approved to become part of the KABN Global Whitelist to be offered various digital financial services and in the future other unique services that require a secured ID.

### Access to Card Network Programs

KABN is preparing to launch a managed program for a prepaid digital currency and fiat network card called the Pegasus Flyte Prepaid Card together with the KABN Mobile Banking Wallet. The Pegasus Flyte program will allow KABN to provide KABN Customers with an innovative financial and related services offering that provides direct access to traditional bricks and mortar and online shopping and payment services. Given that KABN Customers are KYC and AML reviewed, KABN believes that it has a distinct two-fold market advantage. The first is that KABN believes that it is part of a very select group of organizations that will initially have both a digital currency and fiat network card program. Secondly, KABN will, at its core, have qualified customers in its database for these services through KABN ID and will not need to requalify them for acceptance of the Pegasus Flyte Prepaid Card, making the onboarding process faster, more efficient and less costly to KABN.

### Unique Loyalty Rewards Drive Additional Spending and Additional Fees

While KABN Identity Managed Customers have the opportunity to convert digital currency into fiat by using the Pegasus Flyte Prepaid Card and make these funds spendable anywhere, the KABN KASH loyalty program provides unique incentives to drive both frequency and velocity of spending on the card. In addition, KABN KASH becomes fundamental to determining future services and offers that will continue to drive overall engagement, value and revenue. It also provides very rich data that will help support business development, marketing and help develop additional ways to monetize KABN Customers on the KABN Global Whitelist.

## ***Growth Strategies***

KABN's growth plans are driven by its level of success in attaining significant critical mass through key strategic relationships with organizations. One key differentiator in KABN's efforts to build this critical mass is the fact that all Pegasus Flyte Prepaid Card holders have not only passed through KABN ID and are placed on the KABN Global

Whitelist, but they also are being continuously monitored to ensure “they are who they say they are”, that they are not on any sanctions or watch lists, nor do they show up on any adverse media screening. Once approved through KABN ID, KABN can offer the Pegasus Flyte Prepaid Card at no additional costs to the KABN Customer. Other companies in the space traditionally have a much higher cost of acquisition and require the ability to maintain ongoing monitoring through a third-party relationship. As such, KABN’s path to critical mass and revenue is faster, better and less expensive.

#### Leverage KABN Ecosystem to build critical mass through client partnerships globally

As the KABN Ecosystem builds towards a critical mass of Customers and Clients by establishing contractual relationships with strategic global Clients that require KYC/AML, including exchanges, wallets, trading platforms, blockchains and other service providers, these Clients are expected to engage with KABN and, as their North American Customers get approved, they join the KABN Global Whitelist as well as the Client’s internal whitelist. This benefit passes to KABN as a licensee, as all Customers in Canada and the United States of America, no matter how or where acquired, are managed by KABN.

#### Establish referral network to extend business development reach for KABN Clients

KABN Gibraltar and KABN plan to extend their business development reach via a referral network of businesses and individuals that can introduce KABN to prospective KABN Clients. In most cases, these are anticipated to be introductions to key organizations and individuals that are strategically attractive to KABN and can benefit from the products and services offered either as a KABN Client or partner.

#### Continue to develop revenue model that generates fees at multiple junctures

KABN’s revenue stems from generating multiple fees at multiple junctures. With KABN ID, there are transaction fees tied to each individual that KABN screens. With the Pegasus Flyte Prepaid Card, each time the card is used whether in-store or online, KABN will receive card transaction fees known in the industry as interchange fees from the Card Networks. With the KABN Mobile Banking Wallet, each time there is a digital currency conversion, KABN will receive a transaction fee for that conversion. Finally, with KABN KASH, when KABN consumers use their Pegasus Flyte Prepaid Card, KABN will receive commissions for transactions that take place within the KABN KASH affiliate mall. In the future, additional revenue will come through commissions from transactions at various brick and mortar retailers.

#### Convert consumers on KABN Global Whitelist to Pegasus Flyte Prepaid Card and Mobile Banking Wallet program holders

KABN Gibraltar and KABN plan to drive conversion of Customers on the KABN Global Whitelist to the KABN Pegasus Flyte Prepaid Card and Mobile Banking Wallet program by offering unique services and offerings that appeal to the program demographics, which includes the value of being able to convert digital currency into fiat currency.

#### Deploy KABN KASH loyalty and engagement platform

KABN intends to drive frequency and velocity of spending on the KABN Card and thus generate revenue through the implementation of the KABN KASH loyalty program. Designed to engage members of the KABN Global Whitelist and capture data in targeted offers and services, the KABN KASH loyalty program is also designed to be a core benefit of being a member within the KABN Ecosystem to incentivize greater spending with the KABN Card. The more frequent the spending, the greater the reward for both the cardholder and KABN. KABN will look to expand KABN KASH through partnerships with affinity groups, sports teams, entertainment providers, travel providers, financial services companies and other experiential programs.

#### Expand marketing and promotional efforts

KABN Gibraltar has established channels on various social media sites including Twitter, Facebook, LinkedIn, Telegram, Medium and YouTube that KABN intends to leverage. The overarching strategy is to deploy rich content to our communities to drive interest in KABN Gibraltar, KABN and its services.

### ***The Market for KABN's Services in North America***

The North American region provides a rich landscape for the KABN Platform's focus on Millennials. Secondary markets will include late Gen-X and Gen-Z.

Current North American Millennial demographics, attitudes and trends bear this out:

- Millennials, ages 17-36, account for 25% of the US population:
  - Largest living generation
  - 88% live in metro areas
  - Collectively spend \$600 billion annually, projected to reach US\$1.4 trillion by 2020<sup>1</sup>
  - They are the most connected generation -- 78% of Millennials agree that technology gives them more control<sup>2</sup>
- Banking and Digital Payments: about 70% of North American Millennials are interested in digital payments advisory and expense management services that can give them better understanding and control of their personal spending.<sup>3</sup>
- By 2022, 75% of Millennials will be digital banking users.<sup>4</sup>
- Loyalty and Engagement: Millennials are more likely to stay loyal to a brand because of loyalty rewards than any other generation.<sup>5</sup>
- 66.3% of Millennials indicate they are more likely to shop from stores where they are part of the loyalty program vs. only 33.3% of baby boomers.<sup>6</sup>

### ***KABN Gibraltar's Intellectual Property***

#### Licensed IP

The key intellectual property KABN uses in its business is licensed from KABN Gibraltar (the "**KABN IP**") and is comprised of the exclusive right to use, among other things, in North America:

- the KABN ID technology and software (under a subscription to use such software as a service).
- the trademark "KABN" and the KABN logo.
- the Pegasus Flyte design, branding, artwork and card program know-how.
- the KABN KASH know-how.

Each of the KABN trademark, the know-how for Pegasus Flyte Prepaid Card program and the KABN KASH program are owned by Crypto KABN, which has granted a master license to KABN Gibraltar.

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1 MillennialMillennials, Lexington Law, January 2, 2019.

2 The MillennialMillennial Influence, Ipsos Loyalty, 2016.

3 Driving the future of payments: 10 Mega Trends, Accenture, 2017.

4 Emarketer, March 2019.

5 Millennials, Lexington Law, January 2, 2019.

6 Chain Store Age, "Five Things Retailers Need to Know about Millennials and Baby Boomers", January 23, 2018.

### Terms of the KABN License

KABN Gibraltar has granted KABN the exclusive rights to use and exploit the KABN IP in connection with the operation of the KABN Platform in Canada and the United States of America for so long as KABN operates the KABN Platform, subject to termination as described below (the “**KABN License**”).

### Fees Payable by KABN

KABN agreed to pay KABN Gibraltar an initial fee of US\$1 million, with US\$787,220 paid as of September 30, 2019, \$325,000 of which was partially settled through the issuance of 32.5 million KABN Shares to KABN Gibraltar. 12.5 million of such KABN Shares were registered in the name of CK and 7.5 million of such KABN Shares were used by KABN Gibraltar as compensation to officers and directors (and transferred to such persons). KABN Gibraltar will be paid an annual renewal fee of \$250,000 and will be entitled to a royalty equal to 14% of KABN’s gross margin.

### Fees Payable by KABN Gibraltar

In the event of a sale by KABN Gibraltar of KABN Global Whitelist assets, KABN Gibraltar shall pay to KABN 50% of the gross proceeds of such sale as they relate to KABN Identity Managed Customers resident in North America on the KABN Global Whitelist.

### Termination of License

If following a proposed sale (directly or indirectly) by KABN Gibraltar of KABN Global Whitelist assets, KABN could no longer reasonably carry on the business of offering services through the KABN Platform (a “**Core KABN Asset Sale**”), or if KABN Gibraltar elects to terminate the KABN License in connection with such a proposed Core KABN Gibraltar Asset Sale, KABN Gibraltar shall give at least 210 days’ notice to KABN (such notice date, the “**Notice Date**”) and shall pay to KABN a termination fee (the “**Termination Fee**”) equal to the greater of (a) 50% of the gross proceeds of such sale as they relate to KABN Identity Managed Customers; and (b) the fair market value of KABN’s business at the date KABN Gibraltar makes its election, as determined by an independent valuation of KABN’s business. If the purchaser in the Core KABN Asset Sale elects to may make an offer to acquire all of the then outstanding KABN Shares of KABN for a payment in cash, and such offer is accepted by more than 90% of the holders of KABN Shares other than the party making the offer, and if such party takes up and pays for such shares within 150 days of the date of the Notice Date, then the Termination Fee shall not be payable.

### ***Approach to Cyber Security***

The KABN ID program is run on, and the personal information collected is stored on, systems owned and operated by KABN Gibraltar. KABN Gibraltar and KABN are committed to building robust and resilient cyber security into its key business processes. Understanding that cyber security is never absolute, KABN is equally committed to continually evolving its threat detection & mitigation capabilities as well as adopting additional cyber security best practices as its business grows and as threats dynamically change.

### ***Data Redundancy***

KABN Gibraltar leverages Amazon Web Services (AWS) with primary KABN ID data being hosted in the European Economic Area with permissions granted via acceptance of KABN’s Terms & Conditions and Privacy Policy. This provides redundant file storage in different availability zones which prevents against data loss or corruption.

### ***Data Storage Protection***

KABN Gibraltar encrypts all files and relational data using auto-managed key management system encryption which involves creating cryptographic key pairs, for both data and storage where Amazon encrypts data KABN’s private keys to prevent unauthorized access. All active connections are secured via Hypertext Transfer Protocol Secure (HTTPS). The AWS infrastructure puts strong safeguards in place to help protect security and privacy. All data is stored in highly secure AWS data centers in the European Economic Area in compliance with Europe’s GDPR.

### *Data Access – Beyond Passwords*

KABN Gibraltar prevents direct external access to infrastructure and does not utilize passwords for authentication. Access is controlled via key based SSH or Secured Shell access, which is a widely accepted protocol to securely log onto remote systems.

### *Infrastructure Security*

Network firewalls built into Amazon Virtual Private Cloud allows KABN Gibraltar to create private networks and strictly control access. A Virtual Private Cloud is a private networking address space that does not allow access between servers without explicitly granting permission.

### *Rigorous Testing*

KABN Gibraltar regularly tests its environment to identify and patch vulnerabilities. It also works with third-party specialists to ensure we are following industry standards for application and network security.

### *Protected Communications*

KABN Gibraltar sends email notifications using Cloud based Amazon SES or Simple Email Service. KABN Gibraltar has a verified account for sending email securely over Simple Mail Transfer Protocol Secure (SMTPS) with DomainKeys Identified Mail (DKIM) headers to proactively detect email spoofing. SMTPS is a method for securing the SMTP using transport layer security. It is intended to provide authentication of the communication partners, as well as data integrity and confidentiality. DKIM is an email authentication method that allows senders to associate a domain name with an email message, thus vouching for its authenticity by “signing” the email with a digital signature.

### *Customer Access*

KABN Customers, in compliance with GDPR, have the right to request KABN to “Remove” and/or “Forget” their data. Once removed or forgotten, KABN and KABN Gibraltar has no further rights to interact with the former KABN Customer. KABN Customers who choose to participate through permission-based services in KABN Global Whitelist offerings from other Clients and third-party vendors will be required to request independent removal and / or forgetting of data.

In addition to secure login, KABN Gibraltar requests that individuals being verified through KABN ID provide a likeness self-image (selfie) and that image is matched to the verified and validated documentation provided by the individual using industry leading confidence facial matching software. Management is of the opinion that using secure login, biometrics and other private security features provides a strong defence against identity and customer data intrusion. KABN Gibraltar has advised that it plans on continuing to introduce new features and innovative forms of biometric validation to increase security.

### *Specialized Skills and Knowledge*

All aspects of KABN’s business require specialized skills and knowledge. Such skills and knowledge currently include the areas of technology, blockchain technology, software development and deployment; finance and accounting; loyalty and incentive programs; banking, payments and card services. KABN has retained qualified staff and consultants to conduct business equal to, or exceeding, industry standards.

### *Competitive Conditions*

#### Neo Banks

The term “Neo Bank” refers to web-based banks that provide financial services through web and mobile applications. These Neo Banks often function without physical offices or branches. In return for automating and optimizing service, Neo Banks may pass a portion of the resulting savings back to their customers through reduced fees or increased interest rates. The KABN Platform, once fully operational, will operate as a Neo Bank, offering currency storage, currency transfers and payments and related services.

The advantage of Neo Banks is their ability to leverage technology to optimize incumbent bank processes. By limiting customer interactions to self-serve digital products, financial services companies can dramatically reduce headcount. Success stories abound:

- Monzo, based in the United Kingdom, self-reported 750,000 customers and only 300 employees.<sup>1</sup>
- Robinhood, a brokerage in the United States of America, is estimated to service 6,000,000 retail traders with a staff of 250 employees.<sup>2</sup>
- Koho, a Canadian fintech closed a \$42 million Series B round and announced the launch of a 10% cashback program for its cardholders.<sup>3</sup>

In a large survey conducted by Jumio, 92% of Millennials report using mobile banking. However, the survey includes important insights, such as that 75% report dissatisfaction with the existing app experience.<sup>4</sup> The survey also found that 80% of consumers would switch financial institutions for a better experience.<sup>5</sup> Traditional banks appear to lag behind technology-focused competition in delivering excellent app experiences.

### Identity

Financial technology startups and online service providers operating at a global scale are required to comply with United States of America banking regulations. KYC regulations involve managing private and sensitive personal customer information and the third-party verification of these documents. AML regulations require screening and monitoring participants against international sanctions, politically exposed persons flags, and adverse media lists.

Additionally, providers must additionally comply with European regulations around data privacy and source of funds. GDPR requires all technology services, encompassing financial technology services, to give users the ability to retrieve all personal data and the right-to-be-forgotten.<sup>6</sup>

KABN's management has determined that the traditional transactional-based compliance programs currently in use by KABN's target client base is often manual, time-intensive, and costly. In-house compliance programs are typically inadequate and/or data gathered is incomplete, inaccurate or unverified.

### ***Business Cycle and Seasonality***

KABN has limited history. Based on the experience and industry analysis of KABN's management, there are no particular cycles or seasonality of note in the industry. The need for identification validation and verification as well as financial services offered is an ongoing process.

### ***Changes to Contracts***

No part of KABN's business is reasonably expected to be affected in the current financial year by either the renegotiation or termination of any material contract.

### ***Business Objectives***

KABN intends to launch the KABN Card and loyalty programs, promote customer growth and scale its business.

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1 Monzo - <https://monzo.com/annual-report/2018/>

2 Bloomberg - <https://www.bloomberg.com/news/articles/2018-10-15/robinhood-gets-almost-half-its-revenue-in-controversial-bargain-with-high-speed-traders>

3 Globe newswire, May 13, 2019, July 31, 2019

4 Jumio - <https://www.retaildive.com/ex/mobilecommercedaily/92pc-of-Millennials-use-mobile-banking-more-than-anything-else-but-with-reservations-report>

5 TransUnion - <https://www.einpresswire.com/article/466031582/building-loyalty-with-gen-z-and-Millennials-starts-with-a-better-experience>

6 EUGDPR - <https://eugdpr.org/>



### ***Milestones***

To accomplish KABN's stated business objectives, KABN will work towards the following milestones:

- Onboarding of corporate clients for ID program and ongoing customer testing and platform development;
- KABN Card partnership finalization and launch;
- Loyalty program finalization and launch;
- Customer acquisition and corporate sales (both flow through from the KABN ID program and direct KABN Card and loyalty streams); and
- Media marketing program launch.

The actual time required to complete any of the proposed objectives of KABN, if completed at all, could differ from the projected timeline in the table above. The execution of these items will depend on a number of factors including the availability of capital and other resources. The foregoing list is also not exhaustive of the steps that KABN needs to take to be successful going forward and achievement of the foregoing milestones shall not guarantee success. See "KABN – Risk Factors". Accordingly, management will retain broad discretion to implement its project development program in a manner that is consistent with sound business and operational practices.

### ***Employees***

As of the date of this Information Circular, KABN, through its licensing arrangements, retained individuals for the following senior positions for a maximum of nine (9) months (to February 15, 2020) while it undertakes a search for qualified senior staff to fill these positions on a full-time basis. KABN Gibraltar will agree to continue to support KABN for the positions below at a rate of \$40,000 per month until which time full time positions are filled. As positions are filled, the above noted fee will be reduced proportionately.

- Chief Executive Officer
- President
- Chief Revenue Officer
- Chief Financial Officer
- Chief Compliance Officer

### ***Risks of Foreign Operations***

All of KABN's business and operations are carried on in Canada and the United States of America. KABN, under licensing arrangement with KABN Gibraltar for the KABN ID program, in accordance its Privacy Policy, Terms and Conditions accepted by the customer, retains certain data, related to its identity programs in the European Economic Area in compliance with GDPR and user notice and permissions.

### ***Bankruptcy and Similar Procedures***

There are no bankruptcies, receivership or similar proceedings against KABN, nor is KABN aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by KABN since its incorporation on May 1, 2019.

### ***Reorganizations***

KABN has not completed any material reorganization and no reorganization is proposed for the current financial year.

## Private Placement

In connection with the Business Combination, KABN agreed to use its commercially reasonable efforts to complete the Private Placement for estimated gross proceeds of \$900,000 prior to the Business Combination.

## KABN Selected Financial Information

The following is selected financial data derived from the financial statements of KABN for the period from May 1, 2019 to September 30, 2019.

	<b>Five-month period ended September 30, 2019 (audited) (\$)</b>
Revenue	15,277
Total operating expenses	(426,190)
<b>Total loss and comprehensive loss</b>	<b>410,913</b>
Basic and diluted loss per share	(0.012)

<b>Statement of Financial Position</b>	<b>As at September 30, 2019 (audited) (\$)</b>
Assets	
Current assets	471,192
Non-current assets	1,244,218
<b>Total Assets</b>	<b>1,715,410</b>
Liabilities	
Current liabilities	552,620
Shareholders' equity	1,162,790
<b>Total liabilities and shareholders' equity</b>	<b>1,715,410</b>

## *Period from Incorporation to September 30, 2019*

### **Overall Performance**

KABN recognized a net loss of \$410,913 for the period of incorporation to September 30, 2019. The main drivers of the net loss were amortization of intangibles, agent and legal fees offset by unrealized foreign exchange gains on license fees payable. KABN raised \$1,248,703 through a private placement of KABN Private Placement Units, including \$25,000 raised in the form of a convertible debenture which was converted during the period.

### **Results of Operations**

During the period from incorporation to September 30, 2019, KABN recognized revenue of \$15,277. This was on account of implementation fees for early stage clients for the KABN Platform.

KABN incurred \$100,882 in amortization of intangible assets derived from its exclusive license. The license enables KABN to operate exclusively the KABN Card and KABN ID businesses for the North American region (Canada and the United States of America) utilizing technology and services provided by KABN Gibraltar.

Foreign exchange gain of \$15,819 recorded for the period is entirely related to the exchange fluctuation between the Canadian dollar and the United States dollar from the date of the KABN License Agreement of May 15, 2019 and the September 30, 2019 reporting period.

KABN incurred initial agency fee, investor relations consulting fees and legal fees totaling \$263,630 in conjunction with its early stage efforts towards having its securities publicly listed and available for sale.

KABN incurred \$58,969 related to operational set up costs for the KABN Card program and related marketing and communications.

KABN incurred \$17,825 for web and infrastructure, administrative and travel costs.

KABN incurred interest expense of \$703 on account of convertible debt interest accrued prior to conversion.

### ***Liquidity and Capital Resources***

KABN had negative working capital of \$81,428 as at September 30, 2019 on account of the license fee obligation that could only be partially satisfied.

KABN closed \$386,203 in its first tranche of a private placement of 3,862,030 KABN Private Placement Units on July 31, 2019 for a price of \$0.10 per unit. The KABN Private Placement Units comprise of one KABN Share and one half of one KABN Private Placement Warrant at an exercise price of \$0.15 per common share. The KABN Private Placement Warrants have an 18-month life with an acceleration clause to require exercise within 30 days should KABN's securities trade at a price of \$0.25 or greater for a period of 20 consecutive days.

KABN closed its second tranche of the above described private placement for a total amount of \$862,500 for 8,625,000 KABN Private Placement Units on August 30, 2019.

KABN closed its third tranche of the above described private placement for a total amount of \$30,000 for 300,000 KABN Private Placement Units on December 10, 2019.

KABN anticipates having \$700,000 in available funds upon completion of the Business Combination. KABN estimates that the capital required to run its operations for a period of twelve (12) months will be \$700,000. KABN estimates remaining payment on its initial license fees will be \$125,000 plus annual license fees of approximately \$325,000. In addition, KABN also anticipates that it will be required to incur approximately \$150,000 in salaries and wages while revenues and income ramps up, and \$100,000 for overall working capital purposes. KABN does not anticipate incurring any other material capital expenditures.

KABN's future capital requirements will depend upon many factors. KABN has limited capital resources and may have to rely upon the sale of equity securities for cash required to expand its operations, and to fund the administration of KABN. There is no assurance that financing, whether debt or equity, will be available to KABN in the amount required by KABN at any particular time or for any period and that such financing can be obtained on terms satisfactory to KABN.

### ***Off-Balance Sheet Arrangements***

KABN has no off-balance sheet arrangements.

### ***Related Party Transactions***

KABN's related parties include its key management personnel, and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms.

As at September 30, 2019, \$281,785 remains outstanding to KABN Gibraltar. License fees of \$1,345,100 (US\$1,000,000) were recorded as a liability to KABN Gibraltar and the reduction from this balance to the amount outstanding reflects payments made against the license fee obligation during the period from May 15, 2019 to September 30, 2019.

There is no cash compensation to management by KABN for the period ending September 30, 2019. Management has been provided to KABN by its founding shareholder KABN Gibraltar for a maximum of nine months from May 15, 2019 to February 20, 2020, after which time full time staff will be added and a fee of \$40,000 per month will be incurred.

### ***Changes in Accounting Policies***

On January 1, 2020, the IASB has made amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of ‘primary users of general purposed financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

KABN does not expect for this standard to have a significant impact on the financial statements.

On January 1, 2020, the IASB has made amendments to the definition of a business under IFRS 3 “Business Combinations” which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

KABN has yet to assess the impact of this standard, on the financial statements.

### ***Financial Instruments***

KABN’s financial instruments consist of HST receivable, license fees payable and accounts payables and accrued liabilities. Unless otherwise noted, it is management’s opinion that KABN is not exposed to significant interest, or credit risks arising from these financial instruments. There is some foreign exchange risk with respect to license fees which are denominated in United States dollars. The fair values of these financial instruments approximate their carrying values unless otherwise stated.

### ***Summary of Quarterly Results***

Since incorporation, KABN has not prepared quarterly interim financial statements, except as provided herein. As a result, KABN is unable to provide a summary of the quarterly results for the period from incorporation on May 1, 2019 to September 30, 2019 as a complete calendar quarter end has not taken place.

### ***Additional Disclosure for Venture Issuers without Significant Revenue***

A breakdown of all material components of expenses of KABN is set forth in the audited financial statements for the period from incorporation to September 30, 2019.

### ***Disclosure of Outstanding Security Data***

The KABN has one class of shares outstanding, being the KABN Shares. As of the date of this Information Circular, 45,287,030 KABN Shares are issued and outstanding. KABN also has 6,393,515 outstanding Private Placement Warrants exercisable at a price of \$0.15 per share for a period expiring between January 31, 2021 and June 10, 2021.

### **Description of Securities**

Set forth below is a summary of the terms of the securities of KABN anticipated to be issued and outstanding as of the Effective Date, prior to the completion of the Amalgamation.

#### ***KABN Shares***

KABN is authorized to issue an unlimited number of KABN Shares. There are 45,287,030 KABN Shares issued and outstanding as of the date of this Information Circular. The holders of the KABN Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of KABN and each KABN Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of KABN. The holders of the KABN Shares are entitled to receive such dividends in any financial year as the board of directors of KABN may by resolution determine. In the event of the liquidation, dissolution or winding-up of KABN, whether voluntary or involuntary, the holders of the KABN Shares are entitled to receive the remaining property and assets of KABN. The KABN Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

#### ***Private Placement Warrants***

As of the date of this Information Circular, there are outstanding KABN Private Placement Warrants exercisable to acquire up to an aggregate of 6,393,515 KABN Shares.

### **Consolidated Capitalization**

The following table sets forth the capitalization of KABN as at the date of this Information Circular.

	<b>Outstanding as of the date of this Information Circular</b>
KABN Shares (authorized – unlimited)	\$1,603,703
Long Term Debt	\$0

### **Prior Sales**

The following table sets forth all securities issued by KABN since incorporation:

<b>Date</b>	<b>Number and Type of Securities Issued</b>	<b>Issue Price Per Security</b>
May 15, 2019	25,000,000 KABN Shares	\$0.01
May 15, 2019	7,500,000 KABN Shares	\$0.01
July 31, 2019	3,862,030 KABN Private Placement Units <sup>(1)</sup>	\$0.10
August 30, 2019	8,625,000 KABN Private Placement Units <sup>(1)</sup>	\$0.10
December 31, 2019	300,000 KABN Private Placement Units <sup>(1)</sup>	\$0.10

Notes:

- (1) Each Private Placement Unit consisted of one KABN Share and one-half of one KABN Private Placement Warrant, with each such Private Placement Warrant permitting the holder to acquire a KABN Share for a price equal to \$0.15 for a period of 18 months, subject to early expiry if the KABN Shares trade at a volume weighted average price above \$0.25 for 20 consecutive days.

### Directors and Officers

The name, residence, age, positions held with KABN and principal occupation during the preceding five years, and certain other information concerning each of the directors and officers of KABN are as follows:

Name, Age and Municipality of Residence	Positions Held	Position(s) Held Since	Principal Occupation During the Preceding Five Years	KABN Shares Held
Benjamin Kessler, 51, New Rochelle, NY	Interim Chief Executive Officer and Director	May 1, 2019	Chief Executive Officer and Director of Crypto KABN; Chief Executive Officer of KABN Gibraltar; Formerly Managing Director of Banc of California; Formerly Vice President of Earthport North America TLC	675,000
David Lucatch, 57, Vaughan, ON	President and Director	May 1, 2019	Chief Executive Officer and Director of Pegasus Fintech Canada Inc.; Director of KABN Gibraltar; Director of Crypto KABN; Formerly Chief Executive Officer and Director of Intertainment Media Inc.; Chief Executive Officer and Director of Imagination 7 Ventures LLC; Chief Executive Officer and Director of Yappn Corp.	Direct: 725,000 Indirect: 12,850,000 <sup>(1)</sup>
Craig McCannell, 43, Toronto, ON	Interim Chief Financial Officer	May 15, 2019	Chief Financial Officer of Pegasus Fintech Canada Inc.; Chief Financial Officer of KABN Gibraltar; Formerly Chief Financial Officer of Yappn Corp.; Formerly Chief Financial Officer of Intertainment Media Inc.	425,000
Michael Konikoff, 63, Vaughan, ON	Interim Chief Revenue Officer	May 15, 2019	Consultant for Toronto Parking Authority; Chief Revenue Officer of KABN Gibraltar; Formerly Head of Marketing for Toronto Parking Authority; Formerly Vice President Strategic Partnerships for Engage People Inc.; Formerly Sr. Vice President Operations and Strategy for Fairlane Group of Companies	525,000
Lynn Cumiskey, 44, Vaughan, ON	Interim Chief Compliance Officer	May 15, 2019	Senior Vice President of Pegasus Fintech Canada Inc.; Chief Compliance Officer of KABN Gibraltar; Formerly Vice President of Yappn Corp.; Formerly Vice President of Intertainment Media Inc.	375,000
J. Patrick Mesina, 42, Toronto, ON	Director	May 1, 2019	Director of Cortland Credit Group Inc.; Independent Consultant for Vive Crop Protection Inc. and Northern Lights Partners Inc.; Vice President of AIP Private Capital Inc.	175,000
Houssam (Sam) Kawtharani, 33, Toronto, ON	Director	May 1, 2019	Head of Product, IOU Financial Inc.; Chief Executive Officer and Director of Corl Financial Technologies Inc.	100,000

Notes:

- (1) Mr. Lucatch has a 100% interest in KABN Gibraltar, which owns 12,850,000 KABN Shares through its subsidiary, KABN GibCan Inc.

Below is a brief description of each of the directors and executive officers of KABN including: names; ages; positions and responsibilities; relevant educational background; principal occupations or employment during the five years preceding the date of this prospectus; and relevant experience. The management are currently employees of related parties and have agreed to devote up to 50% of their time to this enterprise at no cost to KABN and will in due course look to bring on a qualified management team whose time is solely devoted to KABN.

*Mr. Benjamin Kessler (51) – Interim Chief Executive Officer and Director*

Mr. Kessler has over 20 years of account management, business development, marketing and partnership experience in the financial services sector. Mr. Kessler is currently Chief Executive Officer of KABN Gibraltar. Most recently, Mr. Kessler served as Managing Director, Payments Solution Group – Banc of California from January 2016 to 2017. Prior to that, Mr. Kessler served as Vice President, Global Account Management at Earthport North America TLC from 2013 to 2015. Mr. Kessler has also served as Vice President, Emerging Verticals at Mastercard Worldwide from 2006 to 2011. Mr. Kessler has a Bachelor of Arts degree from Brandeis University and a Master of Business Administration from the New York University Stern School of Management.

Mr. Kessler will be responsible for the overall management of KABN. Mr. Kessler will devote approximately 50% of his time to KABN or such greater amount of time as is necessary.

*Mr. David Lucatch (57) – Co-Founder, Chair of the Board and President*

Mr. Lucatch has more than 30 years inventing technology and business solutions in the international marketing arena and over 20 years of that developing and taking to market internet and mobile based platforms. Mr. Lucatch has held senior management posts and directorships at both private and public media and technology firms and is currently President and a director of KABN. Mr. Lucatch has a Bachelor of Arts degree with a double major in commerce and economics from the University of Toronto.

Mr. Lucatch will be responsible for supporting the management team of KABN. Mr. Lucatch will devote approximately 35% of his time to KABN or such greater amount of time as is necessary.

*Mr. Craig McCannell (43) – Interim Chief Financial Officer*

Mr. McCannell is currently the Chief Financial Officer of Pegasus Fintech Canada Inc., a full service blockchain, technology and growth accelerator advisory firm and Chief Financial Officer of KABN Gibraltar. Prior to joining KABN, Mr. McCannell served Chief Financial Officer at two publicly traded companies and was a senior manager at Ernst & Young LLP. Mr. McCannell has an Honours Bachelor of Business Administration from Wilfred Laurier University and obtained his Certified Professional Accountant (Chartered Accountant) designation in 2002.

Mr. McCannell will be responsible for financial management and reporting at KABN. Mr. McCannell will devote approximately 35% of his time to KABN or such greater amount of time as is necessary.

*Mr. Michael Konikoff (63) – Interim Chief Revenue Officer*

Mr. Konikoff is currently the Chief Revenue Officer of KABN Gibraltar and a consultant at Toronto Parking Authority, and is a member of the Industry Advisory Committee at Pegasus Fintech. Prior to those roles, Mr. Konikoff was Head of Marketing and Executive Owner of Bike Share Toronto for the Toronto Parking Authority and held vice president and senior vice president roles at Engage People Inc. and Fairlane Group, respectively. Mr. Konikoff has a Bachelor of Arts from York University and studied Business at the University of Windsor.

Mr. Konikoff will be responsible for revenue initiatives at KABN. Mr. Konikoff will devote approximately 35% of his time to KABN or such greater amount of time as is necessary.

*Ms. Lynn Cumiskey (44) – Interim Chief Compliance Officer*

Ms. Cumiskey is the Chief Compliance Officer of KABN Gibraltar. Ms. Cumiskey is an accomplished professional with experience in managing corporate operations, compliance, securities, administration and human resources. Ms. Cumiskey has extensive public company experience for both Canadian and U.S. reporting issuers with a focus on technology in both large corporations and smaller early stage enterprises. Ms. Cumiskey is currently the Senior Vice

President, Compliance at Pegasus Fintech Canada Inc.. Prior to that role, Ms. Cumiskey served as Vice President, Corporate Operations at Yappn Corp. and Vice President, Administration at Intertainment Media Inc.

Ms. Cumiskey will be responsible for Compliance, Securities, Administration and Human Resources at KABN. Ms. Cumiskey will devote approximately 35% of her time to KABN or such greater amount of time as is necessary.

*Mr. Houssam (Sam) Kawtharani (33) – Director*

Currently, Mr. Kawtharani is the co-founder of Corl Financial Technologies Inc., a fintech that offers data-driven growth capital to startups. Prior to co-founding Corl Financial Technologies Inc., Mr. Kawtharani was the Head of Product at IOU Financial Inc., a publicly-listed online lender (TSX:IOU), where he supported the company in originating over \$500 million in loans across the United States of America and Canada through continuous product development and innovation. Mr. Kawtharani is also the founder and director of Sam Kay Consultancy Inc. o/a FinBlox Labs, a fintech and blockchain advisory services firm for startups, enterprises and financial institutions. Mr. Kawtharani is also currently an advisor at KABN, AuBit International, EzyStayz Holiday Rentals Pty Ltd., OmniPsarx PBC and Trusted Inc. Holdings Limited. Mr. Kawtharani has a Bachelor of Science in computer science and business administration from the American University of Beirut and a Masters in Engineering from Concordia University.

Mr. Kawtharani will devote approximately 10% of his time to KABN or such greater amount of time as is necessary.

*Mr. J. Patrick Mesina (42) – Director*

Mr. Mesina is currently a director of Cortland Credit Group Inc., as well as a director and audit committee member of TSXV-listed Brockton Ventures Inc. Mr. Mesina is also a director of CSE-listed TPS. Mr. Mesina presently works as a director with a Canadian based institutional investment firm, Cortland Credit Group Inc. Mr. Mesina had served as Vice President with a Toronto based institutional investment firm AIP Private Capital Inc. from March 2012 to September 2017. Since September 2017 he has been a consultant for several companies, including Vive Crop Protection Inc. and Northern Lights Partners Inc. Mr. Mesina has a Honours Bachelor of Arts degree in economics and political science from the University of Toronto.

Mr. Mesina will serve as a member of the audit committee. Mr. Mesina will devote approximately 10% of his time to KABN of such greater amount of time as is necessary.

## **Executive Compensation**

### *Compensation Discussion and Analysis*

KABN's executive compensation program during the most recently completed financial period ended July 31, 2019 was administered by the KABN Board. The KABN Board was solely responsible for determining the compensation to be paid to KABN's executive officers and evaluating their performance. The KABN Board has not adopted any specific policies or objective for determining the amount or extent of compensation for directors or officers.

#### *Significant Elements*

KABN's "Named Executive Officers" are the Chief Executive Officer, the Chief Financial Officer and one other most highly compensated executive officer whose total compensation exceeds \$150,000. As of the date of this Information Circular, KABN has not paid any compensation to any officers, including its Named Executive Officers. Although KABN does not intend on paying any compensation to its Named Executive Officers at this time, the significant elements of compensation for the Named Executive Officers may be a cash salary and stock options. KABN has the KABN Stock Option Plan but does not presently have any other long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of KABN's compensation program. The KABN Board expects to annually review the total compensation package of each of KABN's executives on an individual basis.

#### *Cash Salary*

KABN's compensation payable to the Named Executive Officers, when it is paid, is expected to be based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held



by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of KABN.

### *Stock Options*

The KABN Stock Option Plan is intended to emphasize management's commitment to the growth of KABN. The grant of stock options, as a key component of the executive compensation package, is intended to enable KABN to attract and retain qualified executives. Stock option grants will be based on the total number of stock options available under the KABN Stock Option Plan. In granting stock options, the KABN Board will review the total of stock options available under the KABN Stock Option Plan and recommend grants to newly retained executive officers at the time of their appointment, and consider recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding stock options held by an executive are taken into account when determining whether and how new stock option grants should be made to the executive. The exercise periods are to be set at the date of grant. The stock option grants may contain vesting provisions in accordance with the KABN Stock Option Plan.

As of the date hereof, KABN has not granted any stock options.

### *Summary Compensation Table*

No compensation was paid to, or earned by, KABN's Named Executive Officers since incorporation of KABN on May 1, 2019.

There were no outstanding share-based and option-based awards to the Named Executive Officers since incorporation of KABN on May 1, 2019.

### *Compensation of Directors*

No compensation is paid to, or earned by, KABN's directors since incorporation of KABN on May 1, 2019.

### *Management Contracts*

KABN has entered into a consulting agreement with each of its Chief Executive Officer and Chief Financial Officer. The consulting agreements provide for expense reimbursement but do not otherwise oblige KABN to make any payments.

### **Indebtedness of Directors and Senior Officers**

No director, executive officer, employee, former executive officer, former director or former employee, or any associate of any such person, is, or has been at any time since the incorporation of KABN on May 1, 2019, indebted to KABN or any of its subsidiaries nor is, or at any time since the incorporation of KABN has, any indebtedness of any such person to another entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by KABN or any of its subsidiaries.

### **Non-Arm's Length Party Transactions**

KABN's related parties include its key management personnel, and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms.

As at September 30, 2019, \$281,785 remains outstanding to KABN Gibraltar. License fees of \$1,345,100 (US\$1,000,000) were recorded as a liability to KABN Gibraltar and the reduction from this balance to the amount outstanding reflects payments made against the license fee obligation during the period from May 15, 2019 to September 30, 2019.

There is no cash compensation to management by KABN for the period ending September 30, 2019. Management has been provided to KABN by its founding shareholder KABN Gibraltar for a maximum of nine months from May 15, 2019 to February 15, 2020 while it undertakes a search for qualified senior staff to fill these positions on a full-time

basis. KABN Gibraltar will agree to continue to support KABN at a rate of \$40,000 per month until which time full time positions are filled. As positions are filled, the above noted fee will be reduced proportionately.

The Business Combination is an arm's length transaction to each of TPS and KABN. J. Patrick Mesina is a director of both TPS and KABN and has abstained from voting on the Business Combination.

### **Principal Holders of Voting Securities**

See "General Proxy Information – Principal Holders of Voting Securities".

### **Legal Proceedings**

To the knowledge of KABN, there are no legal proceedings outstanding, threatened or pending as of the date of this Information Circular material to KABN to which KABN is a party or its business or any of its assets is the subject of, nor are any such proceedings known to KABN to be contemplated.

### **Interest of Management and Others in Material Transactions**

Other than as disclosed elsewhere in this Information Circular, no director, executive officer, principal holder of securities of KABN, or any associate or affiliate thereof has or has had any material interest, directly or indirectly, in any transaction involving KABN at any time since its incorporation, that in any case has materially affected or will materially affect KABN.

### **Auditors**

The auditors of KABN are RSM Canada LLP, located at 11 King Street West, Suite 700, Toronto, Ontario M5H 4C7. RSM Canada LLP was first appointed as auditors of KABN in August 29, 2019.

### **Material Contracts**

The only material contracts entered into by KABN or on its behalf since its incorporation, other than contracts in the ordinary course of business, are as follows:

- (a) KABN License Agreement dated May 15, 2019 between KABN and KABN Gibraltar; see "KABN – General Development of the Business"; and
- (b) Business Combination Agreement; see "The Business Combination – Business Combination Agreement".

### **Risk Factors**

The following risk factors, which are not exhaustive, could materially affect the KABN's business, financial condition or results of operations:

#### ***KABN is reliant on the KABN License***

The KABN Platform is built upon the KABN IP and in particular KABN ID. KABN's business is entirely dependent on the availability to it of the KABN IP and the right to use it to operate the KABN Platform. A loss of, or restriction on using, any material part of the KABN IP, would significantly impact the operations of KABN, including its ability to offer services to current and future KABN Clients and KABN Identity Managed Customers, which could have a material and adverse impact on KABN's revenues, results of operations, cash flows and prospects.

#### ***KABN's financial statements have been prepared on a going-concern basis***

KABN's audited financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. KABN's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitability. There can be no assurances that KABN will be successful in completing, or the timing to complete, equity or debt financing, or when or if it will achieve profitability.

***KABN has and expects to continue to have negative cash flow***

KABN has a limited history of operations and has no history of positive cash flow or profitability. KABN has had negative operating cash flow since KABN's incorporation, and KABN may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that KABN will ever attain positive cash flow or profitability or that additional funding will be available for operations.

***KABN is reliant on Card Networks and related financial services providers***

The KABN License includes the ability to offer the Pegasus Flyte Prepaid Card within Canada and the United States of America subject to approvals by Card Networks and issuing banks. Card Networks and issuing banks could exclude KABN from their approval which would require KABN to seek approval from an alternative Card Network and/or issuing bank, which could delay or eliminate KABN's ability to issue a digital currency-linked card in Canada and/or the United States of America, as Card Networks provide program approvals regionally.

Although KABN Limited has been conditionally approved to run a digital currency-linked network branded prepaid card program in the United Kingdom and Europe, there is no guarantee that a similar program will be approved in Canada and the United States of America.

Once approved, Card Networks and issuing banks could create new governance/franchise rules which could negatively impact KABN's card products which could require KABN to seek approval from an alternative Card Network which could suspend KABN's ability to issue a digital currency linked card for an unknown period of time.

***Financial and related services risks***

KABN's financial and related services, which includes card partners, Card Networks and issuing banks in Canada and the United States of America could change its position and/or rescind approved program status which would require KABN to seek approval from an alternative issuing bank which could delay or eliminate KABN's ability to issue or continue to issue the Pegasus Flyte Prepaid Card.

KABN's card program, Card Network and issuing banks(s) could implement new rules and/or fees that impact revenues for the Pegasus Flyte Prepaid Card, which could material and adverse impact on KABN's revenues, results of operations, cash flows and prospects.

KABN is reliant on Card Networks and issuing banks to conduct its business, particularly to provide functionality for the Pegasus Flyte Prepaid Card. There is a risk that one or more of these issuing banks may cease to deal with KABN (which may occur on short notice), cease to deal with international payments services generally, substantially reduce the services it offers, substantially alter the terms on which it is willing to offer services to KABN, or exit one or more of the markets for which KABN's uses its services.

***The KABN Platform may not gain the level of market acceptance needed to make KABN profitable or achieve its growth objectives***

KABN could experience difficulty in securing KABN Clients within Canada and the United States of America, which would also reduce the number of KABN Identity Managed Customers on the KABN Platform. This would slow KABN's revenue growth and path to positive cash flow and profitability, and materially and adversely impact KABN's prospects, which could negatively impact market value of the KABN Shares. Even if KABN secures a significant level of KABN Clients and KABN Identity Managed Customers within Canada and the US, the Pegasus Flyte Prepaid Card could experience low adoption by end users or relatively low spend volume which could negatively impact related fees from the card and from KABN KASH and thus have a material and adverse impact on KABN's revenues, cash flows, profitability and financial position.

While KABN has a budget for a certain period following the Effective Date for marketing and communications to help support KABN's efforts to gain market acceptance, secure new KABN Clients and promote revenue programs, such funds may not be sufficient to achieve KABN's revenue goals. If additional funds are required for marketing and communication, KABN may need to allocate funds from other uses, or raise additional capital, which could result in dilution to holders of KABN Shares, additional interest expense or both.

KABN could experience a limitation or stagnation in the ability to acquire cardholders in Canada and the United States of America which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

KABN's card partners, Card Network and/or issuing banks could introduce new fees or assessments which could negatively impact the value proposition of KABN Card.

***The KABN Platform will be subject to competing service offering, including new technologies***

Alternative Card Network, banking or payment solutions could be introduced to the Canadian and American markets which could compete or outsell KABN's offerings and suite of services. Additionally, unknown new programs for the movement of funds, alternative banking and payment solutions may be introduced in the future that may have an impact on KABN's and KABN Gibraltar's ability to compete in the marketplace.

KABN believes that the KABN Platform provides a unique market proposition in providing identity verification that is portable, secure and cost effective. Notwithstanding this, the industry in which KABN operates is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than either KABN or KABN Gibraltar. Numerous entities around the world may compete with KABN's and KABN Gibraltar's efforts to commercialize, develop and expand products and services. Competitors may develop products in advance of KABN or KABN Gibraltar, products that are more effective than those developed by KABN or KABN Gibraltar, or that have or gain greater market acceptance. As a consequence, KABN's current and future technologies and products may become obsolete or uncompetitive, resulting in a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The identity verification and financial and related solutions markets are highly competitive and KABN's offering competes with other financial related services businesses, including other businesses focused on identity verification and management. Many existing providers either compete directly with KABN Gibraltar and KABN or provide services that are potential substitutes. KABN's major existing competitors include identity verification companies, banks, money transfer organizations and other international payments specialists. New competitors, services and business models that compete with KABN Gibraltar and KABN are likely to arise in the future. Many of these existing and potential competitors have or may have substantially more resources than KABN Gibraltar or KABN and have or may have product and service solutions that are more attractive to clients and customers.

There is a risk that an existing or future competitor:

- allocates significantly more resources to competing in KABN's markets, including resources devoted to marketing, developing technology and/or client service;
- develops a lower cost or more effective business model, for example by developing or acquiring a more sophisticated technology platform or service delivery method;
- responds to changes to regulations, new technologies or changes in client requirements faster and more effectively than KABN and KABN Gibraltar; or
- develops new services that compete more directly with KABN and KABN Gibraltar than their current services.

A substantial increase in competition for any of these reasons could result in KABN's services becoming less attractive to existing and potential KABN Clients and Customers, requiring KABN to increase its marketing or capital expenditure, lower prices or fees, or alter other aspects of its business model in order to remain competitive, any of which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***There are significant regulatory and legislative risks***

KABN ID assists KABN Clients with their AML and KYC compliance obligations in relation to their customers. Future legislative changes to AML, KYC or other similar requirements, may result in KABN ID not being as effective or losing its competitive advantage, and it may therefore become less attractive to current and prospective KABN

Clients, which may have a significant effect on the business, operations and prospects of KABN. If KABN Clients change providers, the growth in the number of new KABN Identity Managed Customers will slow, impacting revenues across all aspect of KABN's business.

The international financial and related services market is a highly regulated area of economic activity around the world. Regulations applicable to those providing services and earning revenues in the market for international financial and related services include regulation relating to money laundering and financing of terrorism, sanctions laws and other regulations. There is a risk that KABN or KABN Gibraltar may fail to comply with these laws or government regulations. Any breach of law by KABN could have significant consequences for KABN.

The further development, acceptance and use of digital currencies is subject to a variety of factors that are difficult to evaluate

The growth of the Neo Bank and identify verification industries in general, and the use of digital currencies in particular, is subject to a high degree of uncertainty, and the slowing, or stopping of the development or acceptance of developing protocols may adversely affect KABN's services related to digital currencies-to-fiat link via the Pegasus Flyte Prepaid Card or KABN Mobile Banking Wallet. The factors affecting the further development of these industries and digital currencies, include, but are not limited to:

- Continued worldwide growth in the adoption and use of digital currencies;
- Governmental and quasi-governmental regulation of digital currencies and their use;
- Restrictions on or regulation of access to and operation of the network or similar digital currency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception digital currencies generally.

***Acceptance and/or widespread use of digital currency is uncertain***

Currently, there is relatively little use of certain types of digital currencies, namely cryptocurrencies, in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

Relatively new products and technologies and certain types of digital currency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of digital currency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of digital currencies.

The relative lack of acceptance of digital currencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by digital currencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, or reduced adoption rates, any of which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

Although KABN Gibraltar and KABN, together with its card, Card Network, and financial and related services partners are working to provide a higher degree of acceptability of digital currencies, there are no guarantees that a higher level of adoption will be achieved.

### ***Data and privacy breaches can significantly harm KABN***

The majority of KABN's transactions are and will be conducted over the Internet and will therefore be subject to an element of risk. KABN's information technology infrastructure is designed to be secure, but is not immune to outside rogue elements, including computer viruses, computer hackers, and organized activities among groups of persons designed to breach KABN's security systems.

Privacy breaches may expose KABN to additional liability and result in the loss of clients and customers, or an inability to conduct business. Any inability on KABN's part to protect the privacy in KABN's electronic transactions or systems could have a material effect on future revenue, financial conditions and profitability. A privacy breach could:

- expose KABN to additional liability under the privacy legislation of different jurisdictions, which could result in fines, additional compliance costs, or significant costs to remedy the breach and strengthen security;
- result in a customer or user's personal and/or financial information falling into the hands of criminal elements, exposing KABN to lawsuits, loss of revenue and reputations risks; and
- deter potential clients and customers from using the KABN IP or KABN Platform.

### ***Failure to manage growth***

KABN's failure to manage its growth successfully may adversely impact its operating results. KABN's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. KABN's ability to deal with growth may have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

KABN's business is based on software and information systems and is exposed to the risks associated with such technologies

While KABN ID software was developed internally by KABN Gibraltar, such software may be subject to external factors, such as deprecation of operating systems, libraries, components, third party interfaces, drivers, patches, or other related issues. In addition, software requires regular updating and maintenance to keep it operating efficiently, continually and robustly. If updates and maintenance are not carried out regularly or are carried out negligently, the software may be subject to operational outages, slowdowns or errors. In addition, these external factors may affect the ability of KABN Gibraltar to effectively upgrade and maintain this software. The market in which KABN Gibraltar or KABN operates is continually evolving, which can often lead to product and software obsolescence. If KABN Gibraltar or KABN does not successfully adapt to changes in the market and technology, its business and results may adversely be affected.

In addition, services based on sophisticated software and computing systems often encounter development and upgrade delays, and the underlying software may contain undetected errors or failures when introduced or when the volume of services provided increases. KABN Gibraltar or KABN may experience delays in the ongoing development of the software and computing systems underlying their services. In addition, despite testing, it is possible that the software may contain errors, and this could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

KABN depends on the performance, reliability and availability of KABN Gibraltar's proprietary technology platform. There is a risk that these systems may be adversely affected by a number of factors including damage, equipment faults, power failure or natural disasters. Events of that nature may cause part or all of the KABN Gibraltar's technology platform or website to become unavailable. This in turn could reduce KABN's ability to generate income, impact client service levels and cause damage to KABN's reputation and, potentially, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

There is also a risk that potential faults in the KABN Gibraltar's technology platform could cause transaction errors that could result in legal exposure from KABN Clients, potentially leading to a loss of KABN Customers and other business partners, damage to KABN's reputation or even cause a breach of certain regulatory requirements (including

those affecting any required license) and could, in turn, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Dependency on the Internet and/or Cloud based services***

KABN relies on the availability of its website(s) and related cloud services provided by or through KABN Gibraltar to provide KABN Clients and KABN Customers (both current and prospective) access to the KABN Platform. KABN depends on the continued acceptance of the Internet and/or cloud as a communications and commerce platform for individuals and enterprises. The Internet and/or cloud could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. Hackers or Internet service provider outages could render one or more of KABN's website(s) and/or technology related services unavailable. If for any reason the Internet and/or cloud does not remain a widespread communications medium and commercial platform, or KABN's websites and/or technology related services are unavailable for an extended period, the demand for KABN Platform and KABN's services would be significantly reduced, which would have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Customer service and reputational risk***

The reputation of KABN and the KABN Gibraltar, along with the KABN Platform, is important in attracting new and retaining existing KABN Clients and KABN Identity Managed Customers. Reputational damage could arise due to a number of circumstances, including errors or defects, data or privacy breaches, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of KABN and the KABN Gibraltar, along with the KABN Platform, which may potentially result in a fall in the number of persons seeking the products and services of KABN.

### ***Fraud***

Combatting fraud is a significant challenge in the online identity, financial and related services industry because transactions are conducted between parties who are not physically present, which in turn creates opportunities for misrepresentation and abuse.

Companies in this sector are especially vulnerable because of the convenience and immediacy of verifying and validating identity and movement of funds, both digital currencies and fiat, from one account to another and subsequently withdrawing them. KABN's partners that facilitate identity, financial and other services over the Internet makes dealing with the risk of fraud a cost of doing business.

KABN faces significant risks of lost revenues due to fraud and disputes between parties. If KABN is unable to deal effectively with losses from fraudulent transactions KABN's business would be harmed. Examples of such risks include:

- unauthorized use of personal information and undetected identity theft;
- client fraud;
- breaches of system security;
- employee fraud; and
- unauthorized use of the KABN Platform or the Pegasus Flyte Prepaid Card or KABN Mobile Banking Wallet.

KABN's operations now or in the future may be adversely affected by risks outside the control of KABN including labour unrest, civil disorder, war, terrorist attacks, computer viruses, telecommunications failure, power loss, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions. For example, a system outage or data loss resulting from such an event could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Foreign exchange risks***

KABN will generate revenues and expenses in both United States dollars (“USD”) and Canadian dollars and will report in Canadian dollars. Cash inflows in USD are not likely to match cash outflows in USD which creates exposure of KABN to foreign exchange fluctuations. The extent of this mismatch will vary as KABN grows its revenue base and its vendor base and will assess whether to implement any foreign exchange hedging strategies once KABN has operated for at least one year. Foreign exchange fluctuations will also exist for reporting purposes for USD denominated assets and liabilities which will have a financial reporting impact to account for changes in exchange rates at each reporting period. The impact of foreign exchange can have both a favourable or adverse impact to KABN’s cash flows and its reporting results.

### ***Infringement of third-party intellectual property rights***

If a third party accuses KABN or KABN Gibraltar of infringing its intellectual property rights or if a third party commences litigation against KABN or KABN Gibraltar for the infringement of patent or other intellectual property rights, KABN may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, such litigation is expensive. Costs that KABN incurs in defending third party infringement actions would also include diversion of management’s and technical personnel’s time. In addition, parties making claims against KABN or KABN Gibraltar may be able to obtain injunctive or other equitable relief that could prevent KABN or KABN Gibraltar from operating the KABN Platform. In the event of a successful claim of infringement, KABN may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product delivery and introductions and loss of substantial resources while it attempts to develop alternative products. Defense of any lawsuit or failure to obtain any of these licenses could prevent KABN or KABN Gibraltar from commercializing available products and could cause it to incur substantial expenditure, which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Sufficiency of funding***

KABN’s growth will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that KABN’s cash reserves together with the funds raised by the Private Placement will be sufficient to successfully achieve all the objectives of KABN’s overall business strategy. If KABN is unable to use debt or equity to fund expansion after the spending the net proceeds of the Offer and existing working capital, there can be no assurance that KABN will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to KABN or at all. Any additional equity financing may be dilutive to existing shareholders and any debt financing, if available, may involve restrictive covenants, which limit KABN’s operations and business strategy. A failure to raise capital if and when needed could delay or suspend KABN’s business strategy and could have a material adverse effect on KABN’s activities.

### ***Uninsured or uninsurable risks***

KABN intends to insure its operations in accordance with technology industry practice. However, given the innovative nature of KABN and the industry sector, such insurance may not be available to KABN, or the nature or level may be insufficient to provide adequate insurance coverage. KABN may become subject to liability for hazards against which KABN cannot insure or against which KABN may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which KABN does not carry insurance may have a material and adverse impact on cash flows, profitability and financial position and market value.

### ***Liquidity and future financing risk***

KABN will likely operate at a loss until its business becomes established and KABN may require additional financing in order to fund future operations and expansion plans. KABN’s ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that KABN will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional Common Shares from treasury, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, KABN may be required to scale back its current business plan or cease operating.



***Dividend risk***

KABN has not paid dividends in the past and does not anticipate paying dividends in the near future. KABN expects to retain earnings to finance further growth and, where appropriate, retire debt.

***Conflicts of interest***

Certain of KABN's directors and officers are, and may continue to be, involved in the financial related services industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of KABN. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with KABN's interests. Directors and officers of KABN with conflicts of interest will be subject to and must follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies. Notwithstanding this, there may be corporate opportunities which KABN is not able to procure due to a conflict of interest of one or more of KABN's directors or officers.

***Tax Risk***

KABN is subject to various taxes including, but not limited to the following: Canadian income tax; goods and services tax; provincial sales tax; and payroll tax. KABN's tax filings will be subject to audit by various taxation authorities. While KABN intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

## THE TPS GROUP

*The following information is presented on a pre-Business Combination Transaction basis and is reflective of the current business, financial and share capital position of TPS. See “Resulting Issuer” for pro forma business, financial and share capital information relating to TPS after giving effect to the Business Combination.*

### Name and Incorporation

#### *TPS*

TPS was incorporated under the laws of the province of British Columbia on September 10, 2014 as Torino Ventures Inc. On November 6, 2015, Torino Ventures Inc. and Smart Autonomous Solutions Inc. completed a reverse takeover transaction whereby Torino Ventures Inc. acquired all of the issued and outstanding shares of Smart Autonomous Solutions Inc. Torino Ventures Inc. changed its name to Torino Power Solutions on November 13, 2016. The TPS Shares are listed on the CSE under the symbol “TPS”. TPS’s registered and head office is located at 7934 Government Road, Burnaby, British Columbia V5A 2E2.

#### *TPS Subco*

TPS currently has no subsidiaries other than TPS Subco, which is wholly-owned by TPS. TPS Subco was incorporated on December 20, 2019 under the OBCA with its head office and registered office located at 40 King Street West, Suite 2100, Toronto, Ontario M5H 3C2. TPS Subco has not carried on any business since incorporation and has no assets and no liabilities. TPS Subco was incorporated solely for the purposes of participating in the Business Combination.

### General Development of the Business

#### *History*

TPS’s primary business has been the development and commercialization of its patented Dynamic Thermal Circuit Rating (DTCR) technology and proprietary system architecture for application in overhead transmission lines. TPS has not generated revenues to date from its DTCR technology.

### TPS Selected Financial Information and Management’s Discussion and Analysis

#### *Selected Information*

The following table sets out selected financial consolidated information for TPS for the period indicated and should be considered in conjunction with the more complete information contained in the financial statements of TPS attached as Schedule “B” to this Information Circular. All currency amounts are stated in Canadian dollars.

<b>Statements of Loss Data:</b>	<b>Fiscal Year ended December 31, 2017 (audited)</b>	<b>Fiscal Year Ended December 31, 2018 (audited)</b>	<b>Fiscal Year Ended December 31, 2019 (audited)</b>
Interest Income	-	-	-
Total Expenses	\$2,830,581	\$997,762	\$345,963
Net Loss and Comprehensive Loss	\$2,774,314	\$878,762	\$242,377
<b>Balance Sheet Data:</b>	<b>As at December 31, 2017 (audited)</b>	<b>As at December 31, 2018 (audited)</b>	<b>December 31, 2019 (audited)</b>
Total Assets	\$355,539	\$109,495	\$13,200
Total Liabilities	\$58,998	\$19,367	\$39,285
Accumulated Deficit	\$(6,644,603)	\$(7,523,365)	\$(7,765,742)
Shareholders’ Equity	\$296,541	\$90,128	\$(26,085)

Notes:

## ***Management's Discussion and Analysis***

The management's discussion and analysis of TPS for fiscal year ended December 31, 2019 is attached as Schedule "D" to this Information Circular.

## **Description of Securities**

Set forth below is a summary of the terms of the securities of TPS anticipated to be issued and outstanding as of the Effective Date, prior to the completion of the Amalgamation.

### ***TPS Shares***

TPS is authorized to issue an unlimited number of TPS Shares. There are 59,722,988 TPS Shares issued and outstanding as of the date of this Information Circular. Holders of the TPS Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of TPS, and each TPS Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the TPS Board. The holders of the TPS Shares, subject to the prior rights, if any, of any other class of shares of TPS, are entitled to receive such dividends in any financial year as the TPS Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of TPS, whether voluntary or involuntary, or other distribution of TPS's assets among its shareholders by way of repayment of capital, the net equity of TPS shall be distributed among the holders of the TPS Shares, without priority and on a share for share basis. There are no redemption or retraction rights associated with the TPS Shares.

In connection with the Business Combination Transaction, TPS proposes to file the Notice of Alteration to give effect to the Consolidation on the basis of one New TPS Share for every ten TPS Shares issued and outstanding immediately prior to the Effective Date. The rights, privileges and restrictions associated with the TPS Shares will not otherwise be affected as a result of the Consolidation.

### ***Preferred Shares***

TPS is authorized to issue an unlimited number of preferred shares. There are no preferred shares issued and outstanding as of the date of this Information Circular.

The articles of TPS provide that the TPS preferred shares may include one or more series and, subject to the BCBCA, the directors of TPS may, by resolution, if none of the shares of that particular series are issued, alter the Articles of TPS and authorize the alteration of the Notice of Articles of TPS, as the case may be, to do one or more of the following:

- (1) determine the maximum number of authorized preferred shares of such series that TPS is authorized to issue, determine that there is no such maximum number, or alter any such determination;
- (2) create an identifying name for the preferred shares of that series, or alter any such identifying name; and
- (3) attach special rights or restrictions to the preferred shares of that series, or alter any such special rights or restrictions.

### ***Warrants***

As at the date of this Information Circular, there are 11,262,838 outstanding TPS Warrants. Each TPS Warrant is exercisable into a TPS Share at an exercise price of \$0.15 and expiring on May 25, 2020.

### **Stock Options**

Pursuant to the TPS Option Plan, the TPS Board may from time to time grant to directors, officers, employees and consultants, non-transferable and non-assignable options to purchase TPS Shares, exercisable for a period of up to 10 years from the date of grant, provided that the number of TPS Shares reserved for issuance does not exceed 10% of the then issued and outstanding TPS Shares. The number of TPS Shares reserved for issuance to any participant, other than in the TPS Option Plan will not exceed five percent (5%) of the issued and outstanding TPS Shares in any 12 month period.

Options may be exercised 90 days following the cessation of an optionee's position with TPS (except that, in the case of a participant who is engaged in investor relations activity on behalf of TPS, this 90 day period will be shortened to 30 days), provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of 12 months after such death, subject to the expiry date of such option.

Set forth below is a summary of the 2,300,000 outstanding TPS Options as at the date of this Information Circular:

Holder	Number/Type of Shares Under Option	Date of Grant	Expiry Date	Exercise Price	Market Value of Shares on Date of Grant <sup>(1)</sup>
All (three) executive officers and past executive officers of TPS, as a group	2,100,000	May 13, 2016	May 13, 2021	\$0.15	\$0.12
All (one) directors and past directors (who are not also executive officers) of TPS, as a group	200,000	June 4, 2018	June 4, 2020	\$0.15	\$0.10
All other employees and past employees of TPS as a group	Nil	N/A	N/A	N/A	N/A
All consultants of TPS as a group	Nil	N/A	N/A	N/A	N/A

Notes:

(1) The market value of the securities is based on the closing price of the TPS Shares on the CSE on the date of grant.

The outstanding TPS Options will be cancelled in connection with the completion of the Business Combination.

### *Equity Compensation Plan Information*

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in columns (a)) (c)
Equity compensation plans approved by securityholders	2,300,000	\$0.15	3,672,298
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
<b>Total</b>	<b>2,300,000</b>	<b>\$0.15</b>	<b>3,672,298</b>

### **Prior Sales**

During the period ended September 30, 2019, TPS issued 3,600,000 TPS Shares with a fair value of \$180,000 for the settlement of \$180,000 in debt. Of this amount, 1,800,000 TPS Shares were issued to settle debt of \$90,000 for each of the Chief Executive Officer, Chief Financial Officer, and a director of TPS.

### Stock Exchange Price

The TPS Shares are listed and traded on the CSE under the symbol “TPS”. The following table indicates the high and low values and volume with respect to trading activity for the TPS Shares on the CSE (i) on a monthly basis for each month (or part thereof) of the current quarter and immediately preceding quarter; and (ii) on a quarterly basis for each of the seven next preceding quarters.

Month	High	Low	Volume
February 2020	N/A	N/A	N/A <sup>(1)</sup>
January 2020	N/A	N/A	N/A <sup>(1)</sup>
December 2019	N/A	N/A	N/A <sup>(1)</sup>
November 2019	\$0.02	\$0.02	237,103 <sup>(1)</sup>
October 2019	\$0.025	\$0.015	670,964
Quarter Ended September 30, 2019	\$0.04	\$0.015	2,847,027
Quarter Ended June 30, 2019	\$0.05	\$0.03	1,442,613
Quarter Ended March 31, 2019	\$0.085	\$0.045	2,389,618
Quarter Ended December 31, 2018	\$0.10	\$0.045	866,122
Quarter Ended September 30, 2018	\$0.16	\$0.105	4,996,942
Quarter Ended June 30, 2018	\$0.13	\$0.065	2,255,153
Quarter Ended March 31, 2018	\$0.19	\$0.10	6,343,956

Notes:

- (1) Trading of TPS Shares were halted on November 26, 2019 as a result of the announcement of TPS that it had entered into a binding agreement with KABN regarding the Business Combination Transaction.

### Compensation Discussion and Analysis

The objective of the compensation program is to compensate individuals, who served, during the fiscal year ended December 31, 2019, as the Chief Executive Officer and the Chief Financial Officer of TPS (the “**TPS Named Executive Officer**”) fairly in accordance with industry standards to reward the TPS Named Executive Officers for their time and effort to manage TPS and create shareholder value. TPS’s compensation program is reviewed and administered by the TPS Board. Each TPS Named Executive Officer receives a cash component payable as a salary or a daily rate and has been granted stock options. The cash element is payable as a direct result of time spent to manage TPS. The stock options are granted to reward the TPS Named Executive Officers for TPS’s performance and to provide incentive for continued engagement with TPS and for improved performance by TPS. The TPS Board reviews industry standards based on similar roles and percentage of time spent working for TPS and grants stock options based on industry standards.

Ravinder Mlait entered into a consulting agreement with TPS effective September 1, 2015, whereby Mr. Mlait agreed to provide management services as Chief Executive Officer at \$10,000 per month. On July 1, 2017, the consulting agreement was amended to \$15,000 per month. Bryan Loree entered into a consulting agreement with TPS effective September 1, 2015, whereby Mr. Loree agreed to provide management services as Chief Financial Officer at \$10,000 per month. On July 1, 2017, the consulting agreement was amended to \$15,000 per month.

At this time, the TPS Board has not established any benchmark or performance goals that the TPS Named Executive Officers must achieve in order to maintain their respective positions as TPS Named Executive Officers. However, the

TPS Named Executive Officers are expected to carry out their duties in an effective and efficient way and advance the exploration goals of TPS. If the TPS Board determines that these duties are not being met, the TPS Board has the ability to replace such TPS Named Executive Officers in its discretion.

On May 5, 2016, TPS entered into a stock option agreement with each of Ravinder Mlait and Bryan Loree, whereby TPS granted 700,000 stock options to each person in consideration for their services as directors and TPS Named Executive Officers of TPS. Each option is exercisable into one TPS Share at the exercise price of \$0.15 expiring on May 13, 2021.

TPS does not have a compensation or nominating Committee at the present time. All tasks related to developing and monitoring TPS's approach to the compensation of officers of TPS and to developing and monitoring TPS's approach to the nomination of directors to the TPS Board are performed by the members of the TPS Board. The compensation of the TPS Named Executive Officers and TPS's employees is reviewed, recommended and approved by the independent directors of TPS.

### **Option-Based Awards**

TPS regards the strategic use of incentive stock options as a cornerstone of TPS's compensation plan. TPS is committed to long-term incentive programs that promote the continuity of an excellent management team and, therefore, the long-term success of TPS. TPS established the TPS Option Plan under which stock options may be granted to directors, officers, employees and consultants as an incentive to serve TPS in attaining its goal of improved shareholder value. It applies to personnel at all levels and continues to be one of TPS's primary tools for attracting, motivating and retaining qualified personnel which is critical to TPS's success. The TPS Board is responsible for administering the TPS Option Plan and determining the type and amount of compensation to be paid to directors, officers, employees and consultants of TPS including the awards of any stock options under the TPS Option Plan. Stock options are typically part of the overall compensation package for executive officers.

All grants of stock options to the TPS Named Executive Officers are reviewed and approved by the TPS Board. In evaluating option grants to a TPS Named Executive Officer, the TPS Board evaluates a number of factors including, but not limited to: (i) the number of options already held by such TPS Named Executive Officer; (ii) a fair balance between the number of options held by the TPS Named Executive Officer concerned and the other executives of TPS, in light of their responsibilities and objectives; and (iii) the value of the options (generally determined using a Black-Scholes analysis) as a component in the TPS Named Executive Officer's overall compensation package.

### **Compensation of Directors and Named Executive Officer**

The following table provides a summary of all compensation for services rendered in all capacities to TPS for the fiscal years ended December 31, 2019 and 2018 in respect of the individuals, who served, during the fiscal year ended July 31, 2015, as (i) the Chief Executive Officer and the Chief Financial Officer of TPS (the "TPS Named Executive Officers"); and (ii) the directors of TPS, in each case other than compensation referred to below under the heading "Stock Options and Other Compensation Securities". TPS had no executive officers (including the TPS Named Executive Officers) whose total compensation during the fiscal year ended December 31, 2019 exceeded \$150,000.

*Table of Compensation Excluding Compensation Securities*

<b>Name and Position</b>	<b>Fiscal Year Ended December 31, 2019</b>	<b>Salary, Consulting Fee, Retainer or Commission</b>	<b>Bonus</b>	<b>Committee or Meeting Fees</b>	<b>Value of Perquisites</b>	<b>Value of All Other Compensation</b>	<b>Total Compensation</b>
	2019	\$45,000	Nil	Nil	Nil	Nil	\$45,000

Ravinder Mlait Chief Executive Officer and Director	2018	\$90,000	Nil	Nil	Nil	Nil	\$90,000
Bryan Loree Chief Financial Officer, Secretary and Director	2019	\$45,000	Nil	Nil	Nil	Nil	\$45,000
	2018	\$90,000	Nil	Nil	Nil	Nil	\$90,000
J. Patrick Mesina Director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Darren Fast Director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil

### ***Stock Options and Other Compensation Securities***

No compensation securities were granted or issued to any TPS Named Executive Officer or director of TPS during the fiscal year ended December 31, 2019.

### ***Exercise of Compensation Securities by Directors and TPS Named Executive Officer***

No TPS Options were exercised during the fiscal year ended December 31, 2019.

### ***Compensation of Directors***

TPS does not have any other arrangements, standard or otherwise, pursuant to which directors are compensated by TPS for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts. The TPS Board intends to continue to compensate directors primarily through the grant of stock options and reimbursement of expenses incurred by such persons acting as directors of TPS.

Refer to the sections titled “Compensation Discussion and Analysis” and “Option-Based Awards”, for a description of all plan-based awards and their significant terms. There was no re-pricing of stock options under the stock option plan or otherwise during the year ended December 31, 2018.

As of the date of this Information Circular, TPS had outstanding options to purchase 2,300,000 TPS Shares, all of which have been granted to current directors (including the TPS Named Executive Officers).

### ***Non-Arm’s Length Party Transactions***

Other than as set forth below, TPS has not acquired any assets or services or provided any assets or services in any transaction completed within 24 months before the date of this Information Circular, or in any proposed transaction, involving any non-arm’s length parties.

The Business Combination is an arm’s length transaction to each of TPS and KABN. J. Patrick Mesina is a director of both TPS and KABN and has abstained from voting on the Business Combination.

### ***Principal Holders of Voting Securities***

See “General Proxy Information – Principal Holders of Voting Securities”.

## Directors and Officers

The name, residence, age, positions held with TPS and principal occupation during the preceding five years, and certain other information concerning each of the directors and officers of TPS are as follows:

Name, Residence and Age	Position With TPS	Principal Occupation for Five Preceding Years	Director Since	Number of TPS Shares Owned (Directly or Indirectly), Directed or Controlled
Ravinder Mlait, 43, BC	Chief Executive Officer and Director	<p>2011 to present: Chief Executive Officer and Director, Cannabix Technologies Inc.</p> <p>October 2016 to January 2019: Chief Executive Officer and Director, Micron Waste Technologies Inc.</p> <p>January 2018 to present: President, CEO, Director of TSXV-listed Brockton Ventures Inc.</p> <p>2008 to April 2016: President, Chief Executive Officer and Director, Rockland Minerals Corp.</p>	February 27, 2015	7,699,459 <sup>(3)</sup>
Bryan Loree <sup>(1)</sup> , 43, BC	Chief Financial Officer, Secretary and Director	<p>2008 to April 2019: Chief Financial Officer, Secretary, 2008 to Present – Director, International Corona Capital Corp.</p> <p>2011 to present: Chief Financial Officer, Secretary and Director, Cannabix Technologies Inc.</p> <p>January 2018 to present: Director of TSXV-listed Brockton Ventures Inc.</p> <p>August 2016 to January 2018: Chief Financial Officer of Canadian Mining Corp.</p> <p>August 2016 to July 2018: Chief Financial Officer and Director, Isodiol International Inc.</p> <p>2007 to present: Worked as an accountant for various private companies</p>	September 10, 2014	8,006,479 <sup>(3)</sup>
J. Patrick Mesina <sup>(1)(2)</sup> , 42, ON	Director	<p>September 2017 to present: Independent Consultant</p> <p>January 2018 to present: Director of private company, Brockton Ventures Inc.</p> <p>March 2012 to September 2017: Vice President with a Toronto</p>	June 4, 2018	Nil <sup>(3)</sup>



		based institutional investment firm		
Darren Fast <sup>(1)(2)</sup> , 54, MB	Director	October 2012 to present: Director of Technology Transfer, University of Manitoba  2005 to Dec 2014: President, Solalta Advisors Ltd.  Jul 2009 to Oct 2012: Senior Intellectual Property Advisor, Public Health Agency of Canada	December 1, 2013	2,750,000 <sup>(3)</sup>

Notes:

- (1) Denotes a member of the audit committee of TPS. See “Audit Committee Disclosure”.
- (2) Denotes an independent director.
- (3) Mr. Mlait also owns options to purchase 700,000 TPS Shares at \$0.15 per TPS Share expiring on May 13, 2021. Mr. Loree owns options to purchase 700,000 TPS Shares at 0.15 per TPS Share expiring on May 13, 2021. Mr. Mesina holds options to purchase 200,000 TPS Shares at \$0.15 per TPS Share expiring on June 4, 2020. Mr. Fast is the director of Technology Transfer at the University of Manitoba, which holds 2,750,000 shares.

### ***Corporate Cease Trade Orders or Bankruptcies***

None of the current directors or officers of TPS or, to the knowledge of TPS, any shareholder holding a sufficient number of securities of TPS to affect materially the control of TPS is, or within the ten years prior to the date hereof, has been a director or officer of any other issuer that, while that person was acting in that capacity was the subject of a cease trade or similar order, or an order that denied the other issuer access to any statutory exemptions under Canadian securities legislation, for a period of more than thirty consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer or appointed to hold the assets of that director or officer.

### ***Penalties or Sanctions***

None of the directors or officers of TPS, or any shareholder holding a sufficient number of securities of TPS to affect materially the control of TPS, has within the ten years before the date of this Information Circular, been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### ***Individual Bankruptcies***

None of the directors or officers of TPS, or to the knowledge of TPS any shareholder holding sufficient number of securities of TPS to affect materially the control of TPS, or a personal holding company of any such person is, or during the ten years prior hereto, has been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### ***Indebtedness of Directors and Officers***

None of the current or former directors, employees or executive officers of TPS, and none of the associates of such persons, is or has been indebted to TPS at any time since the beginning of TPS’s most recently completed financial year. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TPS.

## Audit Committee

National Instrument 52-110 – *Audit Committees* (“NI 52-110”) requires TPS to disclose annually in its management information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

### *Audit Committee Charter*

TPS’s audit committee (“TPS Audit Committee”) is governed by an audit committee charter, the text of which is attached as Schedule “G” to this Information Circular.

### *Composition of the Audit Committee*

The members of the TPS Audit Committee are:

Bryan Loree	Not Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
J. Patrick Mesina	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Darren Fast	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with TPS, which could, in the view of the TPS Board, reasonably interfere with the exercise of a member’s independent judgment. Mr. Loree is not independent, as he is the Chief Financial Officer and Secretary of TPS.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by TPS’s financial statements.

### *Relevant Education and Experience*

#### *Mr. Bryan Loree (43) – Chief Financial Officer, Secretary and Director*

Mr. Loree holds a Certified Management Accountant designation, a Financial Management Diploma from the British Columbia Institute of Technology, and a BA from Simon Fraser University. Mr. Loree has held various senior accounting roles for public and private companies in various industries including, renewable energy, exploration, and construction. Mr. Loree is familiar with accounting processes, understands internal controls and procedures for financial reporting, has experience preparing, auditing, analyzing or evaluating financial statements, reviewing financial statements, understands accounting principles used by the issuer to prepare its financial statements, and has served on audit committees in the past.

#### *Mr. J. Patrick Mesina (42) – Director*

Mr. Mesina has an Honours Bachelor of Arts degree in economics and political science from the University of Toronto. Mr. Mesina is currently a director of Cortland Credit Group Inc., as well as a director and audit committee member of TSXV-listed Brockton Ventures Inc. Mr. Mesina is also a director of CSE-listed Torino Power Solutions Inc. Mr. Mesina presently works as a director with a Canadian based institutional investment firm, Cortland Credit Group Inc. Mr. Mesina had served as Vice President with a Toronto based institutional investment firm AIP Private Capital Inc. from March 2012 to September 2017. Since September 2017 he has been a consultant for several companies, including Vive Crop Protection Inc. and Northern Lights Partners Inc.

#### *Mr. Darren Fast (54) – Director*

Dr. Fast obtained a Bachelor of Sciences (Biochemistry) in 1988 and a Master of Sciences (Chemistry in 1990) from the University of Manitoba and a Doctor of Philosophy (Biochemistry) in 1995 from the University of Alberta. Dr. Fast has held various senior executive roles with private companies and with educational institutions like the

University of Manitoba. Dr. Fast was the Chief Technology Office of Lombard Life Sciences, managers of the Western Life Sciences Venture Fund, a fund that invested in early stage life sciences companies. In these roles Dr. Fast had a direct role in the review and preparation of budgets, reviewing financial statements, and overall financial stewardship of the organization.

### ***Pre-Approval Policies and Procedures***

The TPS Audit Committee is authorized by the TPS Board to review the performance of TPS’s external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by TPS.

### ***Audit Fees***

The following chart summarizes the aggregate fees billed by the external auditors of TPS for professional services rendered to TPS for audit and non-audit related services during the fiscal years of TPS ended December 31, 2019 and 2018:

<b>Type of Work</b>	<b>Fiscal Year Ended December 31, 2019</b>	<b>Fiscal Year Ended December 31, 2018</b>
Audit fees <sup>(1)</sup>	\$5,000	\$7,000
Audit-related fees <sup>(2)</sup>	\$0	\$0
Tax advisory fees <sup>(3)</sup>	\$0	\$0
All other fees	\$0	\$0
<b>Total</b>	<b>\$5,000</b>	<b>\$7,000</b>

Notes:

- (1) Aggregate fees billed for TPS’s annual financial statements and services normally provided by the auditor in connection with TPS’s statutory and regulatory filings.
- (2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of TPS’s financial statements and are not reported as “Audit fees”, including: assistance with aspects of tax accounting, attest services not required by state or regulation and consultation regarding financial accounting and reporting standards.
- (3) Aggregate fees billed for tax compliance, advice, planning and assistance with tax for specific transactions.

### ***Exemption***

TPS is relying on the exemption provided by section 6.1 of NI 52-110 which provides that TPS, as a “venture issuer”, is not required to comply with Part 3 (*Composition of the Audit Committee*) or Part 5 (*Reporting Obligations*) of NI 52-110.

### **Statement of Corporate Governance Practices**

National Policy 58-201 of the Canadian Securities Administrators has set out a series of guidelines for effective corporate governance (the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

Set out below is a description of TPS’s approach to corporate governance in relation to the Guidelines.

### ***The Board of Directors***

NI 58-101 defines an “independent director” as a director who has no direct or indirect material relationship with TPS. A “material relationship” is in turn defined as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with such member’s independent judgement. The TPS Board is currently comprised

of four members, two of whom the board of directors has determined are “independent directors” within the meaning of NI 58-101.

Messrs. Mlait and Loree are not considered to be independent directors within the meaning of NI 58-101 by virtue of serving as senior officers of TPS.

Messrs. Mesina and Fast are considered independent directors of TPS within the meaning of National Instrument 58-101.

The TPS Board believes that the principal objective of TPS is to generate economic returns with the goal of maximizing shareholder value, and that this is to be accomplished by the TPS Board through its stewardship of TPS. In fulfilling its stewardship function, the TPS Board’s responsibilities include strategic planning, appointing and overseeing management, succession planning, risk identification and management, environmental oversight, communications with other parties and overseeing financial and corporate issues. Directors are involved in the supervision of management.

Pursuant to the BCBCA, directors must declare any interest in a material contract or transaction or a proposed material contract or transaction. Further, the independent members of the TPS Board meet independently of management members when warranted.

### ***Directorships***

Certain of the directors of TPS are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

<b><u>Name of director</u></b>	<b><u>Other reporting issuer (or equivalent in a foreign jurisdiction)</u></b>
Ravinder Mlait	Brockton Ventures Inc. and Cannabix Technologies Inc.
Bryan Loree	Brockton Ventures Inc., IC Capitalight Corp. and Cannabix Technologies Inc.
J. Patrick Mesina	Brockton Ventures Inc.
Darren Fast	N/A

### ***Orientation and Continuing Education***

TPS has not formalized an orientation program. If a new director was appointed or elected, however, he or she would be provided with orientation and education about TPS which would include information about the duties and obligations of directors, the business and operations of TPS, documents from recent board meetings and opportunities for meetings and discussion with senior management and other directors. Specific details of the orientation of each new director would be tailored to that director’s individual needs and areas of interest.

TPS does provide continuing education opportunities to directors so that they may maintain or enhance their skills and abilities as directors and ensure that their knowledge and understanding of TPS’s business remains current.

### ***Ethical Business***

The TPS Board has found that the fiduciary duties placed on individual directors by TPS’s governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director’s participation in decisions of the TPS Board in which the director has an interest have been sufficient to ensure that the TPS Board operates independently of management and in the best interests of TPS.

### ***Nomination of Directors***

The TPS Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the TPS Board’s duties effectively and to maintain a diversity of view and experience.

The TPS Board does not have a nominating committee, and these functions are currently performed by the TPS Board as a whole. However, if there is a change in the number of directors required by TPS, this policy will be reviewed.

### ***Compensation***

The TPS Board is responsible for determining compensation for the directors of TPS to ensure it reflects the responsibilities and risks of being a director of a company.

TPS's compensation program is intended to attract, motivate, reward and retain the management talent needed to achieve TPS's business objectives of improving overall corporate performance and creating long-term value for TPS Shareholders. The compensation program is intended to reward executive officers on the basis of individual performance and achievement of corporate objectives, including the advancement of development goals of TPS. TPS's current compensation program is comprised of base salary or management fees, and long-term incentives such as stock options. Directors do not receive fees in their capacity as directors. Certain directors have been granted stock options for their continued service to TPS.

### ***Other Board Committees***

The TPS Board has no other committee other than the TPS Audit Committee.

### ***Assessments***

No formal policy has been established to monitor the effectiveness of the directors, the TPS Board and its committees.

### **Interest of Informed Persons in Material Transactions**

Other than as set forth below, none of the directors or executive officers of TPS, nor any proposed director of TPS, nor any person who beneficially owns, directly or indirectly, TPS Shares or who exercises control or direction over TPS Shares carrying more than ten percent (10%) of the voting rights attached to all outstanding TPS Shares, nor any associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since TPS's last financial year, or in any proposed transaction, not otherwise disclosed herein which, in either case, has affected or will materially affect TPS, except as disclosed herein.

J. Patrick Mesina, a director of TPS, is also a director of KABN.

### **Legal Proceedings**

To the knowledge of TPS, there are no legal proceedings material to TPS to which TPS is a party or of which any of its properties are the subject matter, nor are any such proceedings known to TPS to be contemplated.

### **Auditors**

The auditors of TPS are Saturna Group Chartered Professional Accountants LLP, located at Oceanic Plaza Towers, 1066 W Hastings St #1250, Vancouver, British Columbia V6E 3X1.

### **Registrar and Transfer Agent**

The Registrar and Transfer Agent for the TPS Shares is TSX Trust Company at its principal offices in the City of Toronto.

### **Material Contracts**

There are no contracts of TPS, other than contracts entered into in the ordinary course of business, that are material to TPS and that were entered into by TPS within the most recently completed financial year or were entered into since its incorporation on September 10, 2014 and are still in effect, other than the Intellectual Property and Subscription Agreement entered into between Smart Autonomous Solutions Inc., a predecessor of TPS, and University of Manitoba on June 4, 2012 and amended on November 29, 2016, and the Business Combination Agreement (see "The Business Combination"). A copy of the Business Combination Agreement is attached hereto as Schedule "F". In addition, a

copy of the Business Combination Agreement may also be inspected at any time up to the TPS Meeting during normal business hours at the business office of TPS at 7934 Government Road, Burnaby, British Columbia V5A 2E2.

## **Risk Factors**

In addition to the other information contained in this Information Circular, the following factors should be considered carefully when considering risks related to TPS's business. If the Business Combination is completed, KABN Shareholders (other than those KABN Shareholders who exercise Dissent Rights, if any) will become shareholders of the Resulting Issuer and will be subject to the risk factors to which TPS is subject. See also "KABN – Risk Factors" and "Resulting Issuer – Risk Factors".

### ***TPS currently does not generate revenue from its operations, and as a result, face a high risk of business failure***

TPS has a history of operating losses and may never achieve profitability in the future. TPS is an early stage technology company; accordingly, it has not generated any business income from its proprietary systems to monitor the Dynamic Thermal Circuit Rating (DTCR). TPS expects to be involved in research and development of its DTCR monitoring system, working to achieve certification for its technology and then performing pilot tests to determine its commercial viability. This process may take several years and require significant financial resources without income. TPS expects these expenses to result in continuing operating losses for the foreseeable future. TPS's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and commercialize its DTCR monitoring system. Successfully developing a DTCR monitoring system into marketable solution may take several years and significant financial resources and TPS cannot assure that it can achieve these objectives.

### ***Industry Risks***

The market for DTCR monitoring system is characterized by evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements. The introduction of products embodying new technologies and the emergence of new industry standards and service offerings could render TPS's existing products and products currently under development obsolete. TPS's success will largely depend upon its ability to evolve its products and services to sufficiently keep pace with technological developments and respond to the needs of its existing and prospective customers. Failure to anticipate or respond adequately to technological developments or future customer requirements, or any significant delays in product development or introduction, could damage TPS's competitive position in the market place and effect commercialization plans. There can be no assurance that TPS will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis.

### ***Current and future competitors could have a significant impact on our ability to generate future revenue and profits***

The markets for TPS's products are intensely competitive, and are subject to rapid technological change and other pressures created by changes within the industry. TPS expects competition to increase and intensify in the future as additional companies enter the market, including competitors who may offer similar solutions but provide them through different means. TPS may not be able to compete effectively with current competitors and potential entrants into the marketplace. TPS could experience diminished market share if its current or prospective competitors introduce new competitive products; add new functionality to existing products, acquire competitive products, reduce prices, or form strategic alliances with other companies. If competitors were to engage in aggressive pricing policies with respect to their products, or if the dynamics in the marketplace resulted in increasing bargaining power by the consumers of TPS's products and services, TPS might need to lower the prices it charges for the products it plans to offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect TPS's business and operating results.

### ***TPS may become involved in legal matters that may materially adversely affect it***

From time to time in the ordinary course of TPS's business, TPS may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause TPS to incur significant expenses. Furthermore, because litigation is

inherently unpredictable, and can be highly expensive, the results of any such actions may have a material adverse effect on the business, operations or financial condition of TPS.

***Investment in TPS's current research and development efforts may not provide a sufficient, timely return***

The development of new software products and strategies is a costly, complex and time-consuming process, and the investment in technology product development often involves a prolonged time until a return is achieved on such an investment. TPS has made, and will continue to make, significant investments in technology development and related product opportunities. Investments in new products are inherently speculative and risky. Commercial success depends on many factors including the degree of innovation of the products developed, sufficient support from TPS's strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for new development. These expenditures may adversely affect TPS's operating results if they are not sufficiently offset by revenue increases. TPS believes that it must continue to dedicate a significant amount of resources to its development efforts in order to maintain its competitive position. However, significant revenue from new product and service investments may not be achieved for a prolonged period of time, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as lucrative as the margins TPS had previously experienced for its legacy products and services.

***Protection of proprietary technology can be unpredictable and costly.***

TPS's success will depend in part upon successful new patent applications for its technology and protecting existing patents that TPS holds. Obtaining such patent protection can be costly and the outcome of any application for such can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of TPS's technology and products.

***Competition***

The planned business to be carried out by TPS will be highly competitive and involve a high degree of risk. There can be no assurance that TPS will be the only DTCR developer in North America or globally. In its efforts to achieve its objectives, TPS will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

***Market Price of TPS Shares***

The TPS Shares currently trade on the CSE. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Other factors unrelated to TPS's performance that may have an effect on the price of the TPS Shares include the following: the extent of analytical coverage available to investors concerning TPS's business may be limited if investment banks with research capabilities do not follow TPS's securities; lessening in trading volume and general market interest in TPS's securities may affect an investor's ability to trade significant numbers of TPS Shares; the size of TPS's public float may limit the ability of some institutions to invest in TPS's securities; and a substantial decline in the price of the TPS Shares that persists for a significant period of time could cause TPS's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the TPS Shares at any given point in time may not accurately reflect TPS's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. TPS may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

***Dividend Policy***

No dividends on the TPS Shares have been paid by TPS to date. Payment of any future dividends will be at the discretion of the TPS Board after taking into account many factors, including TPS's operating results, financial condition and current and anticipated cash needs.

### ***Future Sales of TPS Shares by Existing Shareholders***

Sales of a large number of TPS Shares in the public markets, or the potential for such sales, could decrease the trading price of the TPS Shares and could impair TPS's ability to raise capital through future sales of TPS Shares.

### ***Uninsured or Uninsurable Risk***

TPS may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on TPS's financial position.

### ***Key Executives***

TPS is dependent on the services of key executives, including the directors of TPS and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of TPS, the loss of these persons or TPS's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

### ***Conflicts of Interest***

Certain of the directors and officers of TPS also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving TPS should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of TPS and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the BCBCA and other applicable laws.

### ***Financial Liquidity***

TPS has not yet generated revenues and will likely operate at a loss as it looks to establish its first commercial DTCR products. TPS may require additional financing in order to execute its business plan. TPS ability to secure required financing will depend in part upon investor perception of its ability to create a successful business. Capital market conditions and other factors beyond TPS's control may also play important roles in its ability to raise capital. TPS can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to its management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that TPS's management feels the business requires, or unavailable on acceptable terms, TPS may be required to cease operating or modify its business plans in a manner that undermines its ability to achieve its business objectives.

### ***Financial Statements Prepared on Going Concern Basis***

TPS's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. TPS's future operations are dependent upon the successful completion of financing and the creation of operations deemed successful according to the standards of the industry. TPS cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. TPS's consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should it be unable to continue as a going concern.

### ***TPS does not have any business liability, disruption or litigation insurance, and any business disruption or litigation it experiences might result in it incurring substantial costs and the diversion of resources***

Insurance companies offer limited business insurance products and do not, to management's knowledge, offer business liability insurance suitable to management. While business disruption insurance is available, the management of TPS has determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for TPS to have such insurance. As a result, except for directors liability and fire insurance, TPS does not have any business liability, disruption or litigation insurance



coverage for its development operations. Any business disruption or litigation may result in TPS incurring substantial costs and the diversion of resources.

***Additional Information***

Additional information regarding TPS and its business activities is available on the System for Electronic Data Analysis and Retrieval at [www.sedar.com](http://www.sedar.com) (“**SEDAR**”) under TPS’s profile. Following the TPS Meeting, the voting results for each item on the proxy will be available on SEDAR under TPS’s profile. TPS’s financial information is provided in TPS’s annual financial statements and related management discussion and analysis for its most recently completed financial year and may be viewed on SEDAR. Shareholders may also contact TPS by phone at 604-808-2225 or e-mail at [bryan.lore@gmail.com](mailto:bryan.lore@gmail.com) to request copies of these documents, which will be provided free of charge.

## RESULTING ISSUER

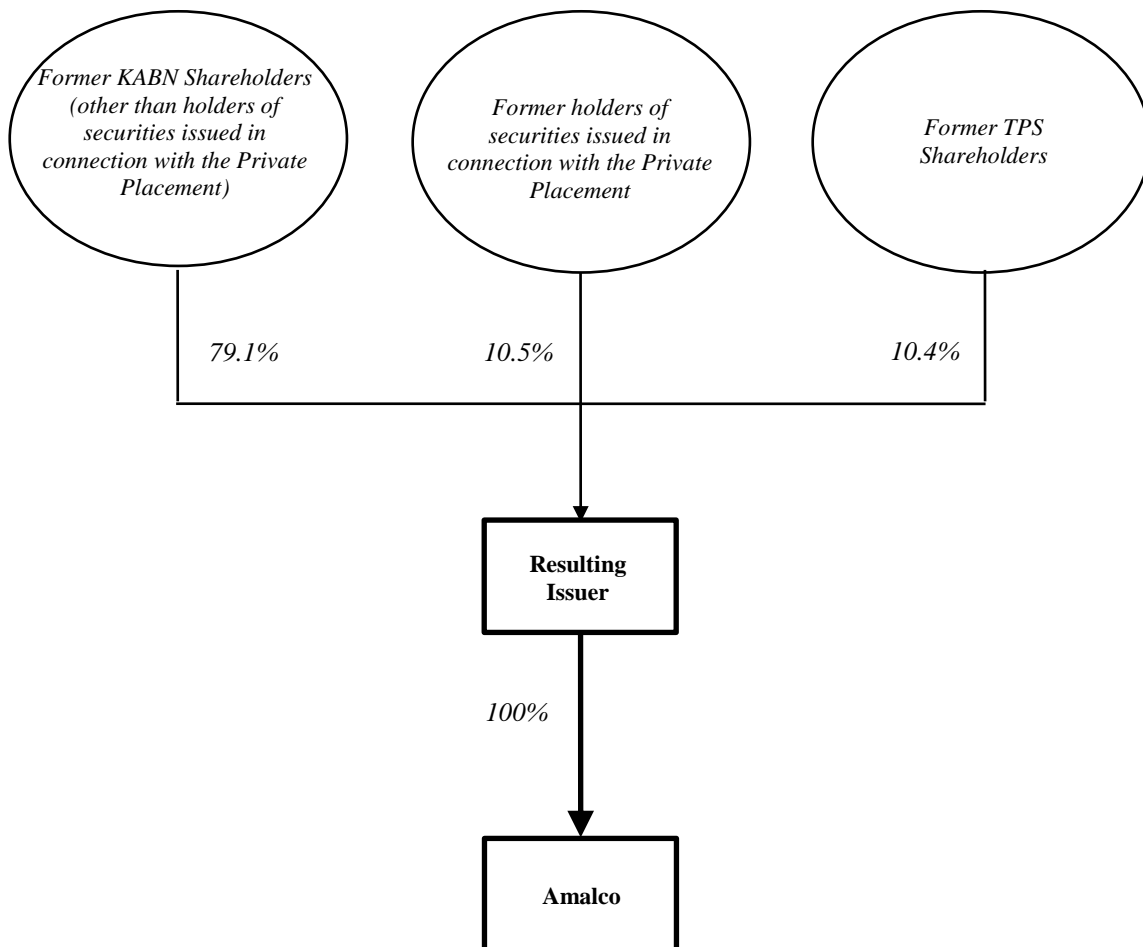
The following information is presented assuming completion of the Business Combination, and is reflective of the projected business, financial and share capital position of the Resulting Issuer. This section only includes information respecting TPS and KABN after the Business Combination that is materially different from information provided earlier in this Information Circular. See the various headings under “The TPS Group” and “KABN” for additional information regarding the TPS Group and KABN, respectively. See also the pro forma consolidated financial statements attached hereto as Schedule “E”.

### Name and Incorporation

Pursuant to the Business Combination, TPS and KABN will effect a three-cornered amalgamation whereby TPS will become the Resulting Issuer. Following the Business Combination, the Resulting Issuer will exist under the BCBCA.

### Inter-corporate Relationships

Upon completion of the Business Combination, the corporate organization chart for the Resulting Issuer will be as follows:



## Description of Business

Following the Business Combination, the Resulting Issuer will operate in the fintech sector, specialize in continuous online identity verification, identity management and monetization and is currently in development to launch a digital banking and financial services platform in accordance with the current milestones and objectives of KABN. See “KABN – Narrative Description of the Business – Milestones”.

## Available Funds

The net proceeds from the Private Placement are estimated to be as follows:

Description	Private Placement
Gross Proceeds	\$900,000
Agent’s Fees	\$50,000
Net Proceeds	\$850,000

Assuming that the expenses of the Business Combination and Private Placement (exclusive of any additional commissions payable to eligible registrants in connection with the Private Placement) are \$150,000, following the Business Combination and the Private Placement, it is expected that the Resulting Issuer will have funds available to it as set forth below:

Source	Funds
Estimated working capital of TPS as of December 31, 2019	\$0
Estimated working capital of KABN as of December 31, 2019	\$10,000
Net proceeds from Private Placement <sup>(1)</sup>	\$850,000
Less expenses of the Business Combination	\$150,000
Total available funds	\$700,000

Notes:

- (1) Assuming Private Placement for gross proceeds of \$900,000.

The primary purposes of the Business Combination and Private Placement are to obtain additional equity capital for the Resulting Issuer, create a public market for the KABN Shares, and facilitate future access by the Resulting Issuer to financing opportunities. It is expected that the Resulting Issuer will use the total funds available set forth above for the purposes described below:

Use of Proceeds <sup>(1)</sup>	Funds
Payment of fees related to the KABN License	\$450,000
Management, administrative and technical staff	\$150,000
General corporate expenses and working capital	\$100,000
Total	\$700,000

Notes:

- (1) The use of proceeds is designed to get the Resulting Issuer to self-sustaining operations, with revenues and margins that offset the total cost of staff and overhead costs. The majority of the costs to be incurred in the first half of 2020 include the remaining fees related to the KABN License, after which, while the Resulting Issuer ramps up its salaried teams and overhead burden based on the scale of the business, expenses will consist of more typical operating expenses.

The Resulting Issuer intends to spend the funds available to it as stated in this Information Circular. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. See “Risk Factors”.

### Unaudited Pro Forma Summary Financial Information

The following table sets out selected unaudited pro forma consolidated financial information for the Resulting Issuer, assuming completion of the Business Combination as of December 31, 2019, and for fiscal year then ended (reflecting the pro-forma consolidation of the Companies as at such dates), and should be considered in conjunction with the more complete information contained in the unaudited pro forma consolidated financial statements attached as Schedule “E” to this Information Circular. Unless otherwise indicated, all currency amounts are stated in Canadian dollars.

<b>Balance Sheet Data:</b>	<b>As of December 31, 2019<sup>(1)</sup></b>
Total Assets	2,428,610
Total Liabilities	591,905
Shareholders’ Equity	1,836,705
Deficit	(1,747,144)

Notes:

- (1) Amounts presented reflect pro forma adjustments as further detailed in Note 3 to the unaudited pro forma consolidated financial statements attached as Schedule “E” to this Information Circular, to which reference should be made for a complete summary of all assumptions underlying these amounts.

### Consolidated Capitalization

The following table sets forth the capitalization of the Resulting Issuer as at December 31, 2019, assuming completion of the Business Combination and the Private Placement, based upon the financial statements of each of KABN and TPS in respect of the periods ending on such date and as otherwise set forth below.

	<b>Assuming completion of the Business Combination and the Private Placement<sup>(1)</sup></b>
Resulting Issuer Shares (authorized — unlimited)	\$2,963,305 (56,959,328 Resulting Issuer Shares <sup>(2)</sup> )
Contributed Surplus	\$620,544
Accumulated Deficit	\$1,747,144
Long-term Debt	Nil

Notes:

- (1) Assuming Private Placement for gross proceeds of \$900,000.
- (2) Does not include 300,000 KABN Shares which were issued under the December 10 Private Placement.

### Stock Options

Upon completion of the Business Combination, all TPS Options will be appropriately adjusted for the Consolidation as to exercise price and number of shares and to thereafter entitle the holders to acquire Resulting Issuer Shares without entailing any other amendment to their terms. Set forth below is a summary of the Resulting Issuer Options which are anticipated to be outstanding immediately following the completion of the Business Combination:

<b>Holder</b>	<b>Number of Resulting Issuer Shares under option<sup>(1)</sup></b>	<b>Date of grant</b>	<b>Expiry date</b>	<b>Exercise price</b>
All executive officers and past executive officers of the Resulting Issuer, as a group	Nil	N/A	N/A	N/A
All directors and past directors (who are not also executive officers) of Resulting Issuer, as a group	Nil	N/A	N/A	N/A
All other employees and past employees of Resulting Issuer as a group	Nil	N/A	N/A	N/A
All consultants of Resulting Issuer as a group	Nil	N/A	N/A	N/A

Notes:

- (1) Assumes that all outstanding TPS Options are cancelled as provided for in the Business Combination Agreement.

See also “The TPS Group – Stock Options”.

### **Warrants**

Upon completion of the Business Combination, all the outstanding TPS Warrants, outstanding KABN Private Placement Warrants, and the KABN Warrants to be issued under the Private Placement, will become Resulting Issuer Warrants entitling the holders to acquire Resulting Issuer Shares without entailing any other amendment to their terms. Set forth below is a summary of the Resulting Issuer Warrants which are anticipated to be outstanding immediately following the completion of the Business Combination:

<b>Category of Warrants before completion of the Business Combination</b>	<b>Number of Resulting Issuer Shares under Resulting Issuer Warrants</b>	<b>Date of grant</b>	<b>Expiry date</b>	<b>Exercise price</b>
TPS Warrants	1,126,384 <sup>(1)</sup>	May 25, 2017	May 25, 2020	\$1.50
KABN Private Placement Warrants	6,393,515 <sup>(2)</sup>	July 31, 2019	January 31, 2021	\$0.15
KABN Private Placement Warrants	1,931,015 <sup>(2)</sup>	August 30, 2019	February 28, 2021	\$0.15
KABN Private Placement Warrants	4,312,500 <sup>(2)</sup>	December 10, 2019	June 10, 2021	\$0.15
KABN Warrants	3,000,000 <sup>(3)</sup>	Prior to the Effective Date	18 months from the date of issue	\$0.20

Notes:

- (1) 11,263,838 TPS Warrants will become approximately 1,126,384 Resulting Issuer Warrants as a result of the Consolidation.
- (2) KABN Private Placement Warrants were issued in three tranches of the private placement completed by KABN in July, August and December of 2019.
- (3) KABN Warrants that would be issued under the Private Placement (assuming gross proceeds of \$900,000).

## Escrowed Securities

In accordance with National Policy 46-201 – *Escrow for Initial Public Offerings* (“NP 46-201”), all securities of an issuer owned or controlled by its principals are required to be placed in escrow at the time of the issuer’s initial distribution, unless the shares held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the voting rights attaching to the total issued and outstanding securities of the issuer after giving effect to the initial public offering. Upon completion of the Private Placement and the Business Combination, the Resulting Issuer anticipates being an “emerging issuer” as defined in NP 46-201.

Certain Resulting Issuer Shares will be subject to the terms of an escrow agreement to be entered into in connection with the Business Combination among TPS, Odyssey Trust Company, as escrow agent, and the holders of the Escrow Shares, being the security holders set out in the table under the heading “Escrow Shares” (the “**Escrow Agreement**”).

### *Escrow Shares*

The following table sets out, as of the date hereof and to the knowledge of TPS and KABN, assuming completion of the Business Combination, the name and municipality of residence of the securityholders whose securities will be Escrow Shares (on a non-diluted basis):

Name and municipality of residence of security holder	Designation of class	Prior to giving effect to the Private Placement and Business Combination		After giving effect to the Private Placement and Business Combination	
		Number of securities held in escrow	Percentage of class	Number of Resulting Issuer Shares to be held in escrow <sup>(1)</sup>	Percentage of class of Resulting Issuer Shares <sup>(2)</sup>
Benjamin Kessler New Rochelle, NY	KABN Shares	675,000	1.49%	675,000	1.18%
	KABN Private Placement Warrants	175,000	2.74%		
Bryan Loree Burnaby, BC	TPS Shares	8,006,479	13.4%	800,648	1.40%
Crypto KABN Holdings Inc. Vancouver, BC	KABN Shares	12,500,000	27.6%	12,500,000	21.83%
David Lucatch <sup>(3)</sup> Vaughan, ON	KABN Shares	725,000	1.6%	725,000	1.27%
	KABN Private Placement Warrants	200,000	3.13%		
J. Patrick Mesina Toronto, ON	KABN Shares	175,000	0.39%	175,000	0.31%
	KABN Private Placement Warrants	87,500	1.36%		
Jana Lucatch <sup>(3)</sup> Vaughan, ON	KABN Shares	325,000	0.72%	325,000	0.57%
KABN GibCan Inc. <sup>(3)</sup> Ontario, ON	KABN Shares	12,850,000	28.38%	12,850,000	22.44%
Ravinder Mlait Burnaby, BC	TPS Shares	7,699,459	12.89%	769,946	1.34%
Sam Kay Consultancy Inc. o/a FinBlox Labs <sup>(4)</sup> Toronto, ON	KABN Shares	100,000	0.22%	100,000	0.17%

Certain holders of KABN Shares issued on May 18, 2019, excluding those already listed above	KABN Shares	5,975,000	13.19%	5,975,000	10.43%
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Notes:

- (1) These securities shall be held in escrow by Odyssey Trust Company as depository pursuant to the Escrow Agreement between Odyssey Trust Company, the Resulting Issuer and each of the escrowed securityholders (the “**Escrow Agreement**”). The securities subject to the Escrow Agreement shall be released in accordance with the schedule set out under the heading “Terms of the Escrow for the Escrow Shares”.
- (2) Calculated based upon (i) 59,722,988 TPS Shares, 45,287,030 KABN Shares, 6,393,515 KABN Private Placement Warrants, 2,300,000 TPS Options and 11,263,838 TPS Warrants outstanding as of the date of this Information Circular; and (ii) that as a result of the completion of the Private Placement there will be 57,259,328 Resulting Issuer Shares issued and outstanding following completion of the Private Placement and Business Combination.
- (3) Mrs. Lucatch is an associate of Mr. Lucatch. Mr. Lucatch also has indirect control over the 12,850,000 KABN Shares owned by KABN GibCan Inc.
- (4) Sam Kay Consultancy Inc. o/a FinBlox Labs is controlled by Houssam (Sam) Kawtharani, who will be a director of the Resulting Issuer.

### ***Terms of the Escrow for the Escrow Shares***

As the Resulting Issuer anticipates being an “emerging issuer” as defined in NP 46-201, the following automatic timed releases will apply to the securities held by its principals who are subject to escrow:

On the Listing Date	1/10 of the Escrow Shares
6 months after the Listing Date	1/6 of the remaining Escrow Shares
12 months after the Listing Date	1/5 of the remaining Escrow Shares
18 months after the Listing Date	1/4 of the remaining Escrow Shares
24 months after the Listing Date	1/3 of the remaining Escrow Shares
30 months after the Listing Date	1/2 of the remaining Escrow Shares
36 months after the Listing Date	The remaining Escrow Shares

Assuming there are no changes to the Escrow Shares initially deposited and no additional Escrow Shares are deposited, this will result in a 10% release on the listing date (as defined by NP 46-201), with the remaining Escrow Shares being released in 15% tranches every 6 months thereafter.

Under NP 46-201, a “principal” is: (a) a person or company who has acted as a promoter of the Resulting Issuer within two years of the date of this Information Circular; (b) a director or senior officer of the Resulting Issuer or any of its material operating subsidiaries at the time of this Information Circular; (c) a person or company that holds securities carrying more than 20% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Resulting Issuer’s initial public offering; and (d) a person or company that: (i) holds securities carrying more than 10% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Resulting Issuer’s initial public offering; and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Resulting Issuer or any of its material operating subsidiaries. A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal and any securities of the company held by such an entity will be subject to the escrow requirements. A principal’s spouse and their relatives that live at the same address as the principal will be deemed principals and any securities of the Resulting Issuer held by such a person will be subject to the escrow requirements.

The automatic time release provisions under NP 46-201 pertaining to “established issuers” provide that 25% of each principal’s Escrow Shares are released on the Listing Date, with an additional 25% being released in equal tranches at six-month intervals over 18 months. If, within 18 months of the Listing Date, the Resulting Issuer meets the

“established issuer” criteria, as set out in NP 46-201, the Escrow Shares will be eligible for accelerated release according to the criteria for established issuers. In such a scenario that number of Escrow Shares that would have been eligible for release from escrow if the Resulting Issuer had been an “established issuer” on the Listing Date will be immediately released from escrow. The remaining Escrow Shares would be released in accordance with the time release provisions for established issuers, with all escrow securities being released 18 months from the Listing Date. If the Resulting Issuer becomes an established issuer in 18 months or more after the Listing Date, all Escrow Shares will be released immediately.

Under the terms of the Escrow Agreement, Escrow Shares cannot be transferred by the holder unless permitted under the Escrow Agreement. Notwithstanding this restriction on transfer, a holder of Escrow Shares may (a) pledge, mortgage or charge the Escrow Shares to a financial institution as collateral for a loan provided that no Escrow Securities will be delivered by the escrow agent to the financial institution; (b) exercise any voting rights attached to the Escrow Securities; (c) receive dividends or other distributions on the Escrow Securities; and (d) exercise any rights to exchange or convert the Escrow Securities in accordance with the Escrow Agreement.

The Escrow Shares may be transferred within escrow to: (a) subject to approval of the Resulting Issuer’s Board, an individual who is an existing or newly appointed director or senior officer of the Resulting Issuer or of a material operating subsidiary of the Resulting Issuer; (b) a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Resulting Issuer’s outstanding securities; (c) a person or company that (i) after the proposed transfer will hold more than 10% of the voting rights attached to the Resulting Issuer’s outstanding securities and (ii) has the right to elect or appoint one or more directors or senior officers of the Resulting Issuer or any of its material operating subsidiaries; (d) upon the bankruptcy of a holder of Escrow Shares, the trustee in bankruptcy or another person or company legally entitled to such securities; (e) a financial institution on the realization of Escrow Shares pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; and (f) a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of another plan or fund are limited to the holder, the holder’s spouse, children or parents, or if the holder is the trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund or, as applicable, his or her spouse, children or parents. Upon the death of a holder of the Escrow Shares, all of the Escrow Shares of the deceased holder will be released from escrow.

In addition, tenders of Escrow Shares pursuant to a business combination, which includes a take-over bid, issuer bid, statutory arrangement, amalgamation, merger or other reorganization similar to an amalgamation or merger, are permitted. Escrow Shares subject to a business combination will continue to be escrowed if the successor entity is not an “exempt issuer”, the holder is a principal of the successor entity; and the holder holds more than 1% of the voting rights of the successor entities’ outstanding securities.

Under the terms of the Escrow Agreement, 10% of each escrowed shareholder’s Escrow Shares (a total of approximately 3,489,559 Resulting Issuer Shares calculated based on 33,325,000 KABN Shares, 462,500 KABN Private Placement Warrants, and 15,675,938 TPS Shares immediately prior to completion of the Business Combination) will be released from escrow on the Listing Date. The remaining 31,406,035 Resulting Issuer Shares will be held in escrow immediately following the Listing Date and released pursuant to the terms of the Escrow Agreement.

### **Resale Restrictions**

The Resulting Issuer Shares to be issued to KABN Shareholders in connection with the Business Combination will be distributed under exemptions from the requirements to provide a prospectus under applicable Canadian securities laws. As TPS has been a reporting issuer in a jurisdiction of Canada for more than four months, the Resulting Issuer Shares may be resold in each of the provinces and territories of Canada without significant restriction, apart from the escrow restrictions (see “**Resulting Issuer – Escrowed Securities**”), provided the holder is not a ‘control person’ as defined in the applicable securities legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

U.S. Shareholders should consult their own advisors regarding resale restrictions applicable to holders of Resulting Issuer Shares who are subject to U.S. securities laws.



## Principal Holders of Voting Securities Post-Business Combination

To the knowledge of the directors and officers of TPS and KABN, at the completion of the Private Placement and Business Combination, no person will beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of voting rights attached to each class of the then outstanding Resulting Issuer Shares, other than David Lucatch and Crypto KABN Holdings Inc.

### Directors and Officers

The following chart sets forth the name, municipality of residence, proposed position with the Resulting Issuer and principal occupation of each individual who is proposed to be a director or executive officer of the Resulting Issuer following the Business Combination, and the number of Resulting Issuer Shares anticipated to be owned by each of such individuals immediately following the Business Combination.

Name, Age and Municipality of Residence	Proposed position with the Resulting Issuer	Position(s) Held Since	Principal Occupation During the Preceding Five Years	Resulting Issuer Shares Held <sup>(1)</sup>
Benjamin Kessler, 51, New Rochelle, NY	Interim Chief Executive Officer and Director	May 1, 2019	Chief Executive Officer and Director of Crypto KABN; Chief Executive Officer of KABN Gibraltar; Formerly Managing Director of Banc of California; Formerly Vice President of Earthport North America TLC	675,000
David Lucatch, 57, Vaughan, ON	President and Director	May 1, 2019	Chief Executive Officer and Director of Pegasus Fintech Canada Inc.; Director of KABN Gibraltar; Director of Crypto KABN; Formerly Chief Executive Officer and Director of Intertainment Media Inc.; Chief Executive Officer and Director of Imagination 7 Ventures LLC; Chief Executive Officer and Director of Yappn Corp.	Direct: 725,000 Indirect: 12,850,000
Bryan Loree, 43, Burnaby, BC	Interim Chief Financial Officer	September 10, 2014	Chief Financial Officer, Secretary and Director of International Corona Capital Corp.; Chief Financial Officer, Secretary and Director of Cannabix Technologies Inc.; Director of Brockton Ventures Inc.; Chief Financial Officer of Canadian Mining Corp.; Chief Financial Officer and Director of Isodiol International Inc.; Account at various private companies	800,648
Houssam (Sam) Kawtharani, 33, Toronto, ON	Director	May 1, 2019	Head of Product, IOU Financial Inc.; Chief Executive Officer and Director of Corl Financial Technologies Inc.	100,000
J. Patrick Mesina, 42, Toronto, ON	Director	June 4, 2018 in respect of TPS; May 1, 2019 in respect of KABN	Director of Cortland Credit Group Inc.; Independent Consultant for Vive Crop Protection Inc. and Northern Lights Partners Inc.; Vice President of AIP Private Capital Inc.	175,000
Ravinder Mlait, 43, Burnaby, BC	Director	February 27, 2015	Chief Executive Officer and Director of Cannabix Technologies Inc.; Chief Executive Officer and Director of Micron Waste Technologies Inc.; President, Chief Executive Officer and Director of Brockton Ventures Inc.; President, Chief Executive Officer and Director of Rockland Minerals Corp.	769,946

Notes:

- (1) Calculated based upon the securities of each of KABN and TPS beneficially owned, controlled or directed by such persons as of the date of this Information Circular, after giving effect to the Business Combination, as otherwise contemplated in this Information Circular. The information as to the number of securities beneficially owned, controlled or directed, not being within the knowledge of the TPS Group or KABN, has been obtained from the persons listed individually.

For further information concerning these proposed directors and officers of the Resulting Issuer, including their respective five year employment histories, please see also “KABN – Directors and Officers” and “The TPS Group – Directors and Officers”.

### ***Committees of the Board of Directors***

The following chart sets forth the proposed committees of the Resulting Issuer Board as well as their respective proposed members:

<b>Board Committee</b>	<b>Members</b>
Audit Committee	David Lucatch, J. Patrick Mesina and Houssam (Sam) Kawtharani

### ***Corporate Cease Trade Orders or Bankruptcies***

Other than as set forth below, no person who is proposed to serve as a director or officer of the Resulting Issuer following the completion of the Business Combination, or to the knowledge of management of KABN or TPS any shareholder who will be holding a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer is, or within the ten years prior to the date hereof has been, a director or officer of any other issuer that, while that person was acting in the capacity of a director or officer of that issuer, was the subject of a cease trade order or similar order or an order that denied that issuer access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that issuer or appointed to hold the assets of that director or officer.

Mr. McCannell was the Chief Financial Officer of Intertainment Media Inc., which was the subject of a cease trade order on November 3, 2016 for a failure to file its audited financial statements due to having insufficient funds to be able to retain and pay an auditor. Mr. McCannell resigned as the Chief Financial Officer of Intertainment Media Inc. on November 21, 2016.

### ***Penalties or Sanctions***

No person who is proposed to be a director or officer of the Resulting Issuer following the completion of the Business Combination, or to the knowledge of management of KABN or TPS any shareholder who will be holding a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer is, or during the 10 years prior to the date hereof, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or a Canadian securities regulatory authority or entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any penalties or sanctions by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### ***Individual Bankruptcies***

No person who is proposed to be a director or officer of the Resulting Issuer following the completion of the Business Combination, or to the knowledge of management of KABN or TPS any shareholder who will be holding a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer, during the 10 years prior to the date hereof, has been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

### ***Conflicts of Interest***

To the knowledge of management of KABN and TPS, no existing or potential material conflicts of interest exist presently or will exist between the Resulting Issuer or Amalco and any proposed director, officer or promoter of the Resulting Issuer or Amalco following completion of the Business Combination.

### **Executive Compensation**

Please see “KABN – Executive Compensation”.

### **Indebtedness of Directors and Officers**

None of the persons who are proposed to be directors, employees or executive officers of the Resulting Issuer following the completion of the Business Combination, and none of the associates of such persons is or has been indebted to either the TPS Group or KABN at any time during the most recently completed financial year of each of TPS and KABN, respectively, or will be indebted to the Resulting Issuer upon completion of the Business Combination. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the TPS Group or KABN.

### **Risk Factors**

The current business of KABN will be the business of the Resulting Issuer upon completion of the Business Combination. Accordingly, risk factors relating to KABN’s current business will be risk factors relating to the Resulting Issuer’s business. Due to the nature of the Resulting Issuer’s business, the legal and economic climate in which it operates and the present stage of the KABN Platform’s development, the Resulting Issuer is subject to significant risks. The Resulting Issuer’s future development and operating results may be very different from those expected as at the date of this Information Circular. Readers should carefully consider all such risks. Risk factors relating to the Resulting Issuer include, but are not limited to, the following:

#### ***The Resulting Issuer will be reliant on the KABN License***

The KABN Platform is built upon the KABN IP and in particular KABN ID. The Resulting Issuer’s business will be entirely dependent on the availability to it of the KABN IP and the right to use it to operate the KABN Platform. A loss of, or restriction on using, any material part of the KABN IP, would significantly impact the operations of KABN, including its ability to offer services to current and future KABN Clients and KABN Identity Managed Customers, which could have a material and adverse impact on KABN’s revenues, results of operations, cash flows and prospects.

#### ***The Resulting Issuer expects to have negative cash flow***

The Resulting Issuer will have a limited history of operations and no history of positive cash flow or profitability. As KABN has had negative operating cash flow since KABN’s incorporation, and the Resulting Issuer may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Resulting Issuer will ever attain positive cash flow or profitability or that additional funding will be available for operations.

#### ***The Resulting Issuer will be reliant on Card Networks and related financial services providers***

The KABN License includes the ability to offer the Pegasus Flyte Prepaid Card within Canada and the United States of America subject to approvals by Card Networks and issuing banks. Card Networks and issuing banks could exclude the Resulting Issuer from their approval which would require the Resulting Issuer to seek approval from an alternative Card Network and/or issuing bank, which could delay or eliminate the Resulting Issuer’s ability to issue a digital currency-linked card in Canada and/or the United States of America, as Card Networks provide program approvals regionally.

Although KABN Gibraltar has been conditionally approved to run a digital currency-linked network branded prepaid card program in the United Kingdom and Europe, there is no guarantee that a similar program will be approved in Canada and the United States of America.

Once approved, Card Networks and issuing banks could create new governance/franchise rules which could negatively impact the Resulting Issuer's card products which could require the Resulting Issuer to seek approval from an alternative Card Network which could suspend the Resulting Issuer's ability to issue a digital currency linked card for an unknown period of time.

***Financial and related services risks***

The Resulting Issuer's financial and related services, which will include card partners, Card Networks and issuing banks in Canada and the United States of America, could change their position and/or rescind approved program status which would require the Resulting Issuer to seek approval from an alternative issuing bank which could delay or eliminate the Resulting Issuer's ability to issue or continue to issue the Pegasus Flyte Prepaid Card.

The Resulting Issuer's card program, Card Network and issuing banks(s) could implement new rules and/or fees that impact revenues for the Pegasus Flyte Prepaid Card, which could material and adverse impact on the Resulting Issuer's revenues, results of operations, cash flows and prospects.

The Resulting Issuer will be reliant on Card Networks and issuing banks to conduct its business, particularly to provide functionality for the Pegasus Flyte Prepaid Card. There is a risk that one or more of these issuing banks may cease to deal with the Resulting Issuer (which may occur on short notice), cease to deal with international payments services generally, substantially reduce the services it offers, substantially alter the terms on which it is willing to offer services to the Resulting Issuer, or exit one or more of the markets for which the Resulting Issuer uses its services.

***The KABN Platform may not gain the level of market acceptance needed to make the Resulting Issuer profitable or achieve its growth objectives***

The Resulting Issuer could experience difficulty in securing KABN Clients within Canada and the United States of America, which would also reduce the number of KABN Identity Managed Customers on the KABN Platform. This would slow the Resulting Issuer's revenue growth and path to positive cash flow and profitability, and materially and adversely impact the Resulting Issuer's prospects, which could negatively impact market value of the Resulting Issuer Shares. Even if the Resulting Issuer secures a significant level of KABN Clients and KABN Identity Managed Customers within Canada and the US, the Pegasus Flyte Prepaid Card could experience low adoption by end users or relatively low spend volume which could negatively impact related fees from the card and from KABN KASH and thus have a material and adverse impact on the Resulting Issuer's revenues, cash flows, profitability and financial position.

While the Resulting Issuer has a budget for a certain period following the Effective Date for marketing and communications to help support its efforts to gain market acceptance, secure new KABN Clients and promote revenue programs, such funds may not be sufficient to achieve the Resulting Issuer's revenue goals. If additional funds are required for marketing and communication, the Resulting Issuer may need to allocate funds from other uses, or raise additional capital, which could result in dilution to holders of the Resulting Issuer Share, additional interest expense or both.

The Resulting Issuer could experience a limitation or stagnation in the ability to acquire cardholders in Canada and the United States of America which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The Resulting Issuer's card partners, Card Network and/or issuing banks could introduce new fees or assessments which could negatively impact the value proposition of KABN Card.

***The KABN Platform will be subject to competing service offering, including new technologies***

Alternative Card Network, banking or payment solutions could be introduced to the Canadian and American markets which could compete or outsell the Resulting Issuer's offerings and suite of services. Additionally, unknown new programs for the movement of funds, alternative banking and payment solutions may be introduced in the future that may have an impact on the Resulting Issuer's ability to compete in the marketplace.

The Resulting Issuer believes that the KABN Platform provides a unique market proposition in providing identity verification that is portable, secure and cost effective. Notwithstanding this, the industry in which the Resulting Issuer

will operate is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than the Resulting Issuer. Numerous entities around the world may compete with the Resulting Issuer's efforts to commercialize, develop and expand products and services. Competitors may develop products in advance of the Resulting Issuer, products that are more effective than those developed by the Resulting Issuer, or that have or gain greater market acceptance. As a consequence, the Resulting Issuer's current and future technologies and products may become obsolete or uncompetitive, resulting in a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The identity verification and financial and related solutions markets are highly competitive and the Resulting Issuer's offering competes with other financial related services businesses, including other businesses focused on identity verification and management. Many existing providers either compete directly with the Resulting Issuer or provide services that are potential substitutes. The Resulting Issuer's major existing competitors will include identity verification companies, banks, money transfer organizations and other international payments specialists. New competitors, services and business models that will compete with the Resulting Issuer are likely to arise in the future. Many of these existing and potential competitors have or may have substantially more resources than the Resulting Issuer and have or may have product and service solutions that are more attractive to clients and customers.

There is a risk that an existing or future competitor:

- allocates significantly more resources to competing in the Resulting Issuer's markets, including resources devoted to marketing, developing technology and/or client service;
- develops a lower cost or more effective business model, for example by developing or acquiring a more sophisticated technology platform or service delivery method;
- responds to changes to regulations, new technologies or changes in client requirements faster and more effectively than the Resulting Issuer; or
- develops new services that compete more directly with the Resulting Issuer than their current services.

A substantial increase in competition for any of these reasons could result in the Resulting Issuer's services becoming less attractive to existing and potential KABN Clients and Customers, requiring the Resulting Issuer to increase its marketing or capital expenditure, lower prices or fees, or alter other aspects of its business model in order to remain competitive, any of which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***There are significant regulatory and legislative risks***

KABN ID assists KABN Clients with their AML and KYC compliance obligations in relation to their customers. Future legislative changes to AML, KYC or other similar requirements, may result in KABN ID not being as effective or losing its competitive advantage, and it may therefore become less attractive to current and prospective KABN Clients, which may have a significant effect on the business, operations and prospects of the Resulting Issuer. If KABN Clients change providers, the growth in the number of new KABN Identity Managed Customers will slow, impacting revenues across all aspect of the Resulting Issuer's business.

The international financial and related services market is a highly regulated area of economic activity around the world. Regulations applicable to those providing services and earning revenues in the market for international financial and related services include regulation relating to money laundering and financing of terrorism, sanctions laws and other regulations. There is a risk that the Resulting Issuer may fail to comply with these laws or government regulations. Any breach of law by the Resulting Issuer could have significant consequences for the Resulting Issuer.

The further development, acceptance and use of digital currencies is subject to a variety of factors that are difficult to evaluate.

The growth of the Neo Bank and identify verification industries in general, and the use of digital currencies in particular, is subject to a high degree of uncertainty, and the slowing, or stopping of the development or acceptance of developing protocols may adversely affect the Resulting Issuer's services related to digital currencies-to-fiat link

via the Pegasus Flyte Prepaid Card or KABN Mobile Banking Wallet. The factors affecting the further development of these industries and digital currencies, include, but are not limited to:

- Continued worldwide growth in the adoption and use of digital currencies;
- Governmental and quasi-governmental regulation of digital currencies and their use;
- Restrictions on or regulation of access to and operation of the network or similar digital currency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception digital currencies generally.

***Acceptance and/or widespread use of digital currency is uncertain***

Currently, there is relatively little use of certain types of digital currencies, namely cryptocurrencies, in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

Relatively new products and technologies and certain types of digital currency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of digital currency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of digital currencies.

The relative lack of acceptance of digital currencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by digital currencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, or reduced adoption rates, any of which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

Although the Resulting Issuer, together with its card, Card Network, and financial and related services partners will work to provide a higher degree of acceptability of digital currencies, there are no guarantees that a higher level of adoption will be achieved.

***Data and privacy breaches can significantly harm the Resulting Issuer***

The majority of the Resulting Issuer's transactions will be conducted over the Internet and will therefore be subject to an element of risk. The Resulting Issuer's information technology infrastructure is designed to be secure, but is not immune to outside rogue elements, including computer viruses, computer hackers, and organized activities among groups of persons designed to breach the Resulting Issuer's security systems.

Privacy breaches may expose the Resulting Issuer to additional liability and result in the loss of clients and customers, or an inability to conduct business. Any inability on the Resulting Issuer's part to protect the privacy in the Resulting Issuer's electronic transactions or systems could have a material effect on future revenue, financial conditions and profitability. A privacy breach could:

- expose the Resulting Issuer to additional liability under the privacy legislation of different jurisdictions, which could result in fines, additional compliance costs, or significant costs to remedy the breach and strengthen security;

- result in a customer or user’s personal and/or financial information falling into the hands of criminal elements, exposing the Resulting Issuer to lawsuits, loss of revenue and reputations risks; and
- deter potential clients and customers from using the KABN IP or KABN Platform.

***Failure to manage growth***

The Resulting Issuer’s failure to manage its growth successfully may adversely impact its operating results. The Resulting Issuer’s ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Resulting Issuer’s ability to deal with growth may have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***The Resulting Issuer’s business is based on software and information systems and is exposed to the risks associated with such technologies***

While KABN ID software was developed internally by KABN Gibraltar, such software may be subject to external factors, such as deprecation of operating systems, libraries, components, third party interfaces, drivers, patches, or other related issues. In addition, software requires regular updating and maintenance to keep it operating efficiently, continually and robustly. If updates and maintenance are not carried out regularly or are carried out negligently, the software may be subject to operational outages, slowdowns or errors. In addition, these external factors may affect the ability of KABN Gibraltar to effectively upgrade and maintain this software. The market in which the Resulting Issuer will operate is continually evolving, which can often lead to product and software obsolescence. If the Resulting Issuer does not successfully adapt to changes in the market and technology, its business and results may adversely be affected.

In addition, services based on sophisticated software and computing systems often encounter development and upgrade delays, and the underlying software may contain undetected errors or failures when introduced or when the volume of services provided increases. The Resulting Issuer may experience delays in the ongoing development of the software and computing systems underlying their services. In addition, despite testing, it is possible that the software may contain errors, and this could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The Resulting Issuer depends on the performance, reliability and availability of KABN Gibraltar’s proprietary technology platform. There is a risk that these systems may be adversely affected by a number of factors including damage, equipment faults, power failure or natural disasters. Events of that nature may cause part or all of the KABN Gibraltar’s technology platform or website to become unavailable. This in turn could reduce the Resulting Issuer’s ability to generate income, impact client service levels and cause damage to the Resulting Issuer’s reputation and, potentially, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

There is also a risk that potential faults in the KABN Gibraltar’s technology platform could cause transaction errors that could result in legal exposure from KABN Clients, potentially leading to a loss of KABN Customers and other business partners, damage to the Resulting Issuer’s reputation or even cause a breach of certain regulatory requirements (including those affecting any required license) and could, in turn, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***Dependency on the Internet and/or Cloud based services***

The Resulting Issuer will rely on the availability of its website(s) and related cloud services provided by or through KABN Gibraltar to provide KABN Clients and KABN Customers (both current and prospective) access to the KABN Platform. The Resulting Issuer will depend on the continued acceptance of the Internet and/or cloud as a communications and commerce platform for individuals and enterprises. The Internet and/or cloud could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service. Hackers or Internet service provider outages could render one or more of KABN’s website(s) and/or technology related services unavailable. If for any reason the Internet and/or cloud does not remain a widespread communications medium and commercial platform, or the Resulting Issuer’s websites and/or technology related services are unavailable for an

extended period, the demand for KABN Platform and the Resulting Issuer's services would be significantly reduced, which would have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Customer service and reputational risk***

The reputation of the Resulting Issuer, along with the KABN Platform, is important in attracting new and retaining existing KABN Clients and KABN Identity Managed Customers. Reputational damage could arise due to a number of circumstances, including errors or defects, data or privacy breaches, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of the Resulting Issuer, along with the KABN Platform, which may potentially result in a fall in the number of persons seeking the products and services of the Resulting Issuer.

### ***Fraud***

Combatting fraud is a significant challenge in the online identity, financial and related services industry because transactions are conducted between parties who are not physically present, which in turn creates opportunities for misrepresentation and abuse.

Companies in this sector are especially vulnerable because of the convenience and immediacy of verifying and validating identity and movement of funds, both digital currencies and fiat, from one account to another and subsequently withdrawing them. The Resulting Issuer's partners that facilitate identity, financial and other services over the Internet makes dealing with the risk of fraud a cost of doing business.

The Resulting Issuer will face significant risks of lost revenues due to fraud and disputes between parties. If the Resulting Issuer is unable to deal effectively with losses from fraudulent transactions the Resulting Issuer's business would be harmed. Examples of such risks include:

- unauthorized use of personal information and undetected identity theft;
- client fraud;
- breaches of system security;
- employee fraud; and
- unauthorized use of the KABN Platform or the Pegasus Flyte Prepaid Card or KABN Mobile Banking Wallet.

The Resulting Issuer's operations in the future may be adversely affected by risks outside the control of the Resulting Issuer including labour unrest, civil disorder, war, terrorist attacks, computer viruses, telecommunications failure, power loss, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions. For example, a system outage or data loss resulting from such an event could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Foreign exchange risks***

The Resulting Issuer will generate revenues and expenses in both United States dollars ("USD") and Canadian dollars and will report in Canadian dollars. Cash inflows in USD are not likely to match cash outflows in USD which creates exposure of the Resulting Issuer to foreign exchange fluctuations. The extent of this mismatch will vary as the Resulting Issuer grows its revenue base and its vendor base and will assess whether to implement any foreign exchange hedging strategies once the Resulting Issuer has operated for at least one year. Foreign exchange fluctuations will also exist for reporting purposes for USD denominated assets and liabilities which will have a financial reporting impact to account for changes in exchange rates at each reporting period. The impact of foreign exchange can have both a favourable or adverse impact to the Resulting Issuer's cash flows and its reporting results.



### ***Infringement of third-party intellectual property rights***

If a third party accuses the Resulting Issuer of infringing its intellectual property rights or if a third party commences litigation against the Resulting Issuer for the infringement of patent or other intellectual property rights, the Resulting Issuer may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, such litigation is expensive. Costs that the Resulting Issuer incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Resulting Issuer may be able to obtain injunctive or other equitable relief that could prevent the Resulting Issuer from operating the KABN Platform. In the event of a successful claim of infringement, the Resulting Issuer may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product delivery and introductions and loss of substantial resources while it attempts to develop alternative products. Defense of any lawsuit or failure to obtain any of these licenses could prevent the Resulting Issuer from commercializing available products and could cause it to incur substantial expenditure, which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Sufficiency of funding***

The Resulting Issuer's growth will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that the Resulting Issuer's cash reserves together with the funds raised by the Private Placement will be sufficient to successfully achieve all the objectives of the Resulting Issuer's overall business strategy. If the Resulting Issuer is unable to use debt or equity to fund expansion after completion of the Business Combination, there can be no assurance that the Resulting Issuer will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Resulting Issuer or at all. Any additional equity financing may be dilutive to existing shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Resulting Issuer's operations and business strategy. A failure to raise capital if and when needed could delay or suspend the Resulting Issuer's business strategy and could have a material adverse effect on the Resulting Issuer's activities.

### ***Uninsured or uninsurable risks***

The Resulting Issuer intends to insure its operations in accordance with technology industry practice. However, given the innovative nature of the Resulting Issuer and the industry sector, such insurance may not be available to the Resulting Issuer, or the nature or level may be insufficient to provide adequate insurance coverage. The Resulting Issuer may become subject to liability for hazards against which the Resulting Issuer cannot insure or against which the Resulting Issuer may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which the Resulting Issuer does not carry insurance may have a material and adverse impact on cash flows, profitability and financial position and market value.

### ***Liquidity and future financing risk***

The Resulting Issuer will likely operate at a loss until its business becomes established and the Resulting Issuer may require additional financing in order to fund future operations and expansion plans. The Resulting Issuer's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Resulting Issuer will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional Resulting Issuer Shares from treasury, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Resulting Issuer may be required to scale back its current business plan or cease operating.

### ***Conflicts of interest***

Certain of the Resulting Issuer's directors and officers are, and may continue to be, involved in the financial related services industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Resulting Issuer. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the Resulting Issuer's interests. Directors and officers of the Resulting Issuer with conflicts of interest will be subject to and must follow the procedures

set out in applicable corporate and securities legislation, regulations, rules and policies. Notwithstanding this, there may be corporate opportunities which the Resulting Issuer will not be able to procure due to a conflict of interest of one or more of the Resulting Issuer's directors or officers.

### ***Tax Risk***

The Resulting Issuer will be subject to various taxes including, but not limited to the following: Canadian income tax; goods and services tax; provincial sales tax; and payroll tax. The Resulting Issuer's tax filings will be subject to audit by various taxation authorities. While the Resulting Issuer intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

### ***The Resulting Issuer will not have any significant customers***

The Resulting Issuer will not have obtained any significant customers upon completion of the Business Combination and, therefore, has no assured sources of revenue.

### ***The success of the Resulting Issuer is largely dependent on a few key individuals***

The success of the Resulting Issuer will be largely dependent upon the performance of its key officers, consultants and employees, particularly the technical and marketing skill of the personnel involved. Failure to retain key individuals or to attract, and, if attracted, retain additional key individuals with necessary skills could have a materially adverse impact upon the Resulting Issuer's success. The Resulting Issuer has not purchased any "key-man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

### ***Significant shareholders may have influence over the Resulting Issuer***

Following completion of the Business Combination, David Lucatch, who will become the President of the Resulting Issuer and a director, will hold, directly and indirectly, approximately 23.71% of the issued and outstanding Resulting Issuer Shares. Consequently, Mr. Lucatch may have the ability to influence the election of directors and the outcome of matters submitted to a vote of shareholders. The interests of Mr. Lucatch may differ from the Company's interests and the interests of other shareholders.

### ***Market Price of Resulting Issuer Shares***

The KABN Shares do not currently trade on any exchange or market, and the TPS Shares are currently listed and posted for trading on the CSE. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. If the Business Combination is completed, the price of the Resulting Issuer Shares is also likely to be significantly affected by changes in the financial condition or results of operations of the Resulting Issuer. Other factors unrelated to the Resulting Issuer's performance that may have an effect on the price of the Resulting Issuer Shares include the following: the extent of analytical coverage available to investors concerning the Resulting Issuer's business may be limited if investment banks with research capabilities do not follow the Resulting Issuer's securities; lessening in trading volume and general market interest in the Resulting Issuer's securities may effect an investor's ability to trade significant numbers of Resulting Issuer Shares; the size of the Resulting Issuer's public float may limit the ability of some institutions to invest in the Resulting Issuer's securities; and a substantial decline in the price of the Resulting Issuer Shares that persists for a significant period of time could cause the Resulting Issuer's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Resulting Issuer Shares at any given point in time may not accurately reflect the Resulting Issuer's long-term value. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Resulting Issuer may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

***Investing in equity securities is speculative***

An investment in the Resulting Issuer Shares will carry a high degree of risk and should be considered as a speculative investment. The Resulting Issuer will have no history of earnings, limited cash reserves and a limited operating history.

***Dividend Policy***

No dividends on any of the KABN Shares or TPS Shares have been paid by either KABN or TPS to date. The TPS Group and KABN currently plan that, assuming completion of the Business Combination, the Resulting Issuer will retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends by the Resulting Issuer, if any, will be at the discretion of the Resulting Issuer Board after taking into account many factors, including the Resulting Issuer’s operating results, financial condition, and current and anticipated cash needs.

***Costs of being a publicly traded company***

As the Resulting Issuer will have publicly-traded securities, significant legal, accounting and filing fees will be incurred. Securities legislation and the rules and policies of the CSE require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly contribute to legal, financial and securities regulatory compliance costs.

***Dilution to TPS Shares and KABN Shares***

It is anticipated that immediately prior to the Business Combination, TPS will have 59,722,988 TPS Shares issued and outstanding and KABN will have 45,287,030 KABN Shares issued and outstanding. In the event that the Business Combination is completed, (i) the Consolidation will be effected, such that one New TPS Share shall be issued for every ten outstanding TPS Shares currently issued and outstanding, resulting in approximately 5,972,298 New TPS Shares being outstanding; (ii) an aggregate of 6,000,000 KABN Shares shall be issued to subscribers in the Private Placement; and (iii) the Amalgamation shall then be effected, upon which an aggregate of 57,259,328 Resulting Issuer Shares shall be issued to former shareholders of TPS and KABN in accordance with the Business Combination Agreement.

The Resulting Issuer may issue additional equity securities in future financings, resulting in dilution to investors.

The increase in the number of Resulting Issuer Shares issued and outstanding, and the sales of such shares, may have a depressive effect on the price of the Resulting Issuer Shares. In addition, as a result of the issuance of such additional Resulting Issuer Shares, the voting power of the existing TPS Shareholders and KABN Shareholders will be substantially diluted.

***Future Sales of Resulting Issuer Shares by Existing Shareholders***

Sales of a large number of Resulting Issuer Shares in the public markets, or the potential for such sales, could decrease the trading price of the Resulting Issuer Shares and could impair the Resulting Issuer’s ability to raise capital through future sales of Resulting Issuer Shares.

**Promoter**

The following chart sets forth the consideration paid to any promoters of the Resulting Issuer:

<b>Name of Promoter</b>	<b>Number and percentage of Resulting Issuer Shares to be held following the Business Combination and Private Placement<sup>(1)</sup></b>	<b>Nature and amount of anything of value to be received directly or indirectly from the Resulting Issuer or a subsidiary</b>
David Lucatch	Direct: 725,000 Indirect: 12,850,000 <sup>(2)</sup> 23.71%	Nil

Notes:

- (1) Calculated based upon the securities of each of KABN and TPS beneficially owned, controlled or directed by such persons reported as of the date of this Information Circular, on a diluted basis, after giving effect to the Business Combination and Private Placement and as otherwise contemplated in this Information Circular. See also “Resulting Issuer – Escrowed Securities”.
- (2) Mr. Lucatch has a 100% interest in KABN Gibraltar, which owns 12,850,000 KABN Shares through its subsidiary, KABN GibCan Inc.

### **Legal Proceedings**

See “The TPS Group – Legal Proceedings” and “KABN – Legal Proceedings”.

### **Interest of Informed Persons in Material Transactions**

See “The TPS Group – Interest of Informed Persons in Material Transactions” and “KABN – Interest of Informed Persons in Material Transactions”.

### **Auditors**

Following the Business Combination, the auditors of the Resulting Issuer will be RSM Canada LLP.

### **Registrar and Transfer Agent**

The transfer agent and registrar for the Resulting Issuer will be Odyssey Trust Company at its principal offices in Toronto, Ontario following the Business Combination.

### **Experts**

Certain legal matters relating to the Business Combination and Private Placement as described herein will be passed upon for KABN by Cassels Brock & Blackwell LLP and for TPS by Clark Wilson LLP. Partners of Cassels Brock & Blackwell LLP and their associates own, in the aggregate, less than 1% of all issued and outstanding TPS Shares and less than 1% of all issued and outstanding KABN Shares as of the date of this Information Circular. Partners of Clark Wilson LLP and their associates own, in the aggregate, less than 1% of all issued and outstanding TPS Shares and less than 1% of all issued and outstanding KABN Shares as of the date of this Information Circular.

As of the date of this Information Circular, Saturna Group Chartered Professional Accountants LLP (the auditors of the TPS Group) have reported that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia.

As of the date of this Information Circular, RSM Canada LLP (the auditors of KABN) have reported that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

### **Material Contracts**

See “The TPS Group – Material Contracts” and “KABN – Material Contracts”.

## **INFORMATION AND APPROVALS**

The information contained or referred to in this Information Circular with respect to the TPS Group has been furnished by TPS. The information contained or referred to in this Information Circular with respect to KABN has been furnished by KABN. TPS and its respective directors and officers have relied on the information relating to KABN provided by KABN and take no responsibility for any errors in such information or omissions therefrom.

The TPS Board has approved the contents of this Information Circular and the delivery hereof to TPS Shareholders of record as of the TPS Record Date.

**SCHEDULE "A"**  
**TPS FUNDAMENTAL CHANGE RESOLUTION**

**RESOLUTION OF THE SHAREHOLDERS  
OF  
TORINO POWER SOLUTIONS INC.  
(the "Corporation")**

**WHEREAS:**

- A. on November 25, 2019, the Corporation entered into a non-binding letter of intent (the "**LOI**") with KABN Systems North America Inc. ("**KABN**") outlining the general terms and conditions pursuant to which KABN and the Corporation agreed to complete a proposed business combination (the "**Business Combination**") that will result in a reverse takeover of the Corporation by the current shareholders of KABN, which constitutes a "fundamental change" of the Corporation within the meaning of policy 8 of the Canadian Securities Exchange (the "**CSE**");
- B. on January 13, 2020, pursuant to the LOI, the Corporation, KABN, and a wholly-owned subsidiary of the Corporation, 2733668 Ontario Inc. ("**TPS Subco**"), entered into a business combination agreement (the "**Business Combination Agreement**") whereby the parties agreed to carry out the Business Combination by way of a three-cornered amalgamation among the Corporation, KABN and TPS Subco pursuant to an amalgamation agreement attached to the Business Combination Agreement, and whereby the parties agreed that the combined resulting entity (the "**Resulting Issuer**") will carry on the business of KABN;
- C. management of the Corporation believes that it is in the best interests of the Corporation and the shareholders of the Corporation to complete the Business Combination and enter into any ancillary agreements in order to effect the transactions contemplated thereunder (collectively, the "**Transactions**");
- D. a copy of the Business Combination Agreement and disclosure with respect to the Business Combination, the Transactions and the Resulting Issuer has been provided to the shareholders of the Corporation in connection with approval of the Transactions;

**NOW THEREFORE BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

- 1. the completion of the Transactions, including the Business Combination, by the Corporation are hereby authorized and approved;
- 2. any director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all documents and instruments and to do all things necessary or desirable to give effect to this resolution, the Transactions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of such actions; and
- 3. notwithstanding that this resolution has been passed by the shareholders of the Corporation, the board of directors of the Corporation is authorized, in its sole discretion, to determine not to proceed with the Transactions, including the Business Combination, without further approval of the shareholders at any time prior to the effective date of the Business Combination.

**SCHEDULE "B"**  
**TPS FINANCIAL STATEMENTS**



**TORINO POWER SOLUTIONS INC.**

Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of Torino Power Solutions Inc.**

#### **Opinion**

We have audited the financial statements of Torino Power Solutions Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial statements, which indicates that the Company did not generate any revenues and had negative cash flow from operations during the year ended December 31, 2019 and, as of that date, the Company has a working capital deficit of \$26,085 and an accumulated deficit of \$7,765,742. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Lonny Wong.

A handwritten signature in cursive script that reads "Saturna Group LLP".

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

February 14, 2020

**TORINO POWER SOLUTIONS INC.**Statements of Financial Position  
(Expressed in Canadian dollars)

	December 31, 2019 \$	December 31, 2018 \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	10,861	67,205
Restricted cash (Note 3)	–	20,000
Amounts receivable	1,943	14,666
Prepaid expenses	396	346
Total current assets	13,200	102,217
Non-current assets		
Property and equipment (Note 4)	–	7,278
Total assets	13,200	109,495
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	39,285	19,367
Total liabilities	39,285	19,367
Shareholders' equity (deficit)		
Share capital	7,162,975	6,870,475
Share-based payment reserve	576,682	522,518
Shares issuable (Note 8)	–	220,500
Deficit	(7,765,742)	(7,523,365)
Total shareholders' equity (deficit)	(26,085)	90,128
Total liabilities and shareholders' equity (deficit)	13,200	109,495

Nature of operations and continuance of business (Note 1)

Commitment (Note 11)

Subsequent event (Note 13)

Approved and authorized for issuance by the Board of Directors on February 14, 2020:

/s/ "Ravinder Mlait"

Ravinder Mlait, Director

/s/ "Bryan Loree"

Bryan Loree, Director

(The accompanying notes are an integral part of these financial statements)

**TORINO POWER SOLUTIONS INC.**Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)

	Year ended December 31, 2019 \$	Year ended December 31, 2018 \$
Expenses		
Consulting fees (Note 5)	180,406	541,649
Depreciation	1,864	8,895
Office and general	5,701	23,625
Professional fees	18,017	13,942
Rent	10,411	43,527
Research and development costs	983	212,989
Share-based compensation (Note 8)	54,164	14,099
Transfer agent and filing fees	26,953	29,515
Wages and benefits	47,464	109,521
<b>Total expenses</b>	<b>345,963</b>	<b>997,762</b>
<b>Net loss before other income (expense)</b>	<b>(345,963)</b>	<b>(997,762)</b>
Other income		
Gain on settlement of debt (Note 6)	108,000	119,000
Loss on disposal of property and equipment	(4,414)	–
<b>Total other income (expense)</b>	<b>103,586</b>	<b>119,000</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(242,377)</b>	<b>(878,762)</b>
<b>Loss per share, basic and diluted</b>	<b>–</b>	<b>(0.02)</b>
<b>Weighted average shares outstanding</b>	<b>57,492,714</b>	<b>51,364,991</b>

(The accompanying notes are an integral part of these financial statements)

**TORINO POWER SOLUTIONS INC.**Statements of Changes in Equity  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Shares issuable	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount \$				
Balance, December 31, 2017	48,350,488	6,432,725	508,419	—	(6,644,603)	296,541
Shares issued pursuant to settlement of debt	2,450,000	220,500	—	—	—	220,500
Shares issued pursuant to the exercise of warrants	2,172,500	217,250	—	—	—	217,250
Fair value of stock options granted	—	—	14,099	—	—	14,099
Shares issuable pursuant to settlement of debt	—	—	—	220,500	—	220,500
Net loss for the year	—	—	—	—	(878,762)	(878,762)
Balance, December 31, 2018	52,972,988	6,870,475	522,518	220,500	(7,523,365)	90,128
Shares issued pursuant to settlement of debt	6,750,000	292,500	—	(220,500)	—	72,000
Fair value of stock options granted	—	—	54,164	—	—	54,164
Net loss for the year	—	—	—	—	(242,377)	(242,377)
Balance, December 31, 2019	59,722,988	7,162,975	576,682	—	(7,765,742)	(26,085)

(The accompanying notes are an integral part of these financial statements)

**TORINO POWER SOLUTIONS INC.**Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended December 31, 2019 \$	Year ended December 31, 2018 \$
Operating activities		
Net loss for the year	(242,377)	(878,762)
Items not involving cash:		
Depreciation	1,864	8,895
Gain on settlement of debt	(108,000)	(119,000)
Loss on disposal of property and equipment	4,414	–
Share-based compensation	54,164	14,099
Changes in non-cash operating working capital:		
Amounts receivable	12,723	27,795
Prepaid expenses	(50)	(346)
Accounts payable and accrued liabilities	179,918	520,369
Client deposit	20,000	–
Net cash used in operating activities	(77,344)	(426,950)
Investing activities		
Proceeds from disposal of property and equipment	1,000	–
Purchase of property and equipment	–	(1,409)
Redemption of guaranteed investment certificate	20,000	–
Net cash provided by (used in) investing activities	21,000	(1,409)
Financing activities		
Shares issued pursuant to share purchase warrants exercised	–	217,250
Net cash provided by financing activities	–	217,250
Decrease in cash and cash equivalents	(56,344)	(211,109)
Cash and cash equivalents, beginning of the year	67,205	278,314
Cash and cash equivalents, end of year	10,861	67,205
Cash and cash equivalents consist of:		
Cash in bank	10,861	47,205
Cashable guaranteed investment certificate	–	20,000
Total cash and cash equivalents	10,861	67,205
Non-cash investing and financing activities:		
Shares issued/issuable for settlement of accounts payable	292,500	220,500

(The accompanying notes are an integral part of these financial statements)

# **TORINO POWER SOLUTIONS INC.**

Notes to the financial statements

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

## **1. Nature of Operations and Continuance of Business**

Torino Power Solutions Inc. (the "Company") was incorporated under the Company Act of British Columbia on September 10, 2014. The Company is a technology company involved in developing commercial applications for optimizing the current carrying capacity of grid infrastructure and transmission lines. The Company has not yet generated revenues from operations, accordingly, the Company is considered to be an enterprise in the development stage.

The address of the Company's corporate office and principal place of business is 7934 Government Road, Burnaby, BC, V5A 2E2.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, and prior operating results. During the year ended December 31, 2019, the Company has not generated any revenues and had negative cash flows from operating activities. As at December 31, 2019, the Company has a working capital deficit of \$26,085 and an accumulated deficit of \$7,765,742. These factors raise substantial doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Basis of Preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **(b) Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.



## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (c) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

Significant areas requiring the use of estimates include the useful lives and recoverability of property and equipment, measurement of share-based payments, and deferred income tax asset valuation allowances.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (d) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Computer equipment	55%	declining balance basis
Development equipment	55%	declining balance basis
Software	55%	declining balance basis

#### (e) Government Assistance and Investment Tax Credits

Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in the statement of operations, or grants related to income are presented as part of net income or loss as determined by the terms and conditions of the agreements under which the assistance is provided to the Company or the nature of the expenditures which gave rise to the credits. Government assistance and investment tax credit receivables are recorded when their receipt is reasonably assured

#### (f) Research and Development Costs

Research and development costs are charged to the statement of operations in the period they are incurred, except those that meet the following criteria and are capitalized: the feasibility of the product has been established, management intends to manufacture the product and has the capacity to use or sell it, the future economic benefits are likely to occur, the market for the product is defined, and the Company has the resources to complete the project and can reliably measure development costs.

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

#### (h) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

##### Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

##### Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

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

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (i) Financial Liabilities and Equity Instruments

##### Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

##### Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (j) Income Taxes

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## **TORINO POWER SOLUTIONS INC.**

Notes to the financial statements

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(k) Foreign Currency Translation**

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

#### **(l) Loss Per Share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2019, the Company had 14,563,838 (2018 – 13,563,838) potentially dilutive shares outstanding.

#### **(m) Comprehensive Loss**

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations.

#### **(n) Share-based Payments**

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (o) Accounting Standards Issued But Not Yet Effective

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### 3. Restricted Cash

Restricted cash consisted of a guaranteed investment certificate of \$20,000 which was redeemed during the year ended December 31, 2019. The amount was pledged as collateral for the Company's credit cards, which were cancelled during the year ended December 31, 2019.

### 4. Property and Equipment

	Software \$	Computer equipment \$	Development equipment \$	Total \$
Cost:				
Balance, December 31, 2017	12,254	13,444	46,141	71,839
Additions	–	1,409	–	1,409
Balance, December 31, 2018	12,254	14,853	46,141	73,248
Dispositions	(12,254)	(14,853)	(46,141)	(73,248)
Balance, December 31, 2019	–	–	–	–
Accumulated depreciation:				
Balance, December 31, 2017	3,369	13,444	40,262	57,075
Additions	4,886	775	3,234	8,895
Balance, December 31, 2018	8,255	14,219	43,496	65,970
Additions	1,024	162	678	1,864
Dispositions	(9,279)	(14,381)	(44,174)	(67,834)
Balance, December 31, 2019	–	–	–	–
Carrying amounts:				
As at December 31, 2018	3,999	634	2,645	7,278
As at December 31, 2019	–	–	–	–

### 5. Related Party Transactions

- (a) During the year ended December 31, 2019, the Company incurred consulting fees of \$90,000 (2018 - \$180,000) to the Chief Executive Officer of the Company.
- (b) During the year ended December 31, 2019, the Company incurred consulting fees of \$90,000 (2018 - \$180,000) to the Chief Financial Officer of the Company.

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 6. Share Capital

Authorized: Unlimited common shares without par value

Unlimited preferred shares without par value

Share transactions for the year ended December 31, 2019:

- (a) On January 8, 2019, the Company issued 3,150,000 common shares with a fair value of \$220,500 to settle accounts payable of \$315,000 pursuant to the debt settlement agreements entered into on December 31, 2018. Refer to Note 6(e).
- (b) On August 9, 2019, the Company issued 3,600,000 common shares with a fair value of \$72,000 to settle accounts payable of \$180,000. Included in this issuance is 1,800,000 common shares with a fair value of \$36,000 to settle accounts payable of \$54,000 for each of the President of the Company and the Chief Financial Officer of the Company. This resulted in a gain on settlement of debt of \$108,000.

Share transactions for the year ended December 31, 2018:

- (c) During the year ended December 31, 2018, the Company issued 2,172,500 common shares pursuant the exercise of warrants at \$0.10 for proceeds of \$217,250.
- (d) On May 30, 2018, the Company issued 2,450,000 common shares with a fair value \$220,500 to settle accounts payable of \$245,000. Included in this issuance is 1,700,000 common shares with a fair value of \$153,000 to settle accounts payable of \$85,000 for each of the President of the Company and the Chief Financial Officer of the Company. This resulted in a gain on settlement of debt of \$24,500.
- (e) On December 31, 2018, the Company entered into a debt settlement agreement to issue 3,150,000 common shares with a fair value \$220,500 to settle accounts payable of \$315,000. The amounts were recorded as shares issuable. Included in this settlement is a total of 2,100,000 common shares with a fair value of \$147,000 to be issued to settle accounts payable of \$105,000 for each of the President of the Company and the Chief Financial Officer of the Company. This resulted in a gain on settlement of debt of \$94,500.

### 7. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2017	16,654,338	0.15
Exercised	(2,172,500)	0.10
Expired	(3,218,000)	0.17
Balance, December 31, 2018 and 2019	11,263,838	0.15

As at December 31, 2019, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
11,263,838	0.15	May 25, 2020

During the year ended December 31, 2019, the expiry date of the 11,263,838 warrants was extended one year from the original expiry date of May 25, 2019.

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 8. Stock Options

Pursuant to the Company's stock option plan dated June 30, 2016, the Company may grant stock options to directors, officers, employees and consultants. The maximum aggregate number of common shares which may be reserved for issuance, set aside and made available for issuance under the plan may not exceed 10% of the issued and outstanding common shares of the Company at the time of granting the stock options. Stock options granted to any person engaged in investor relations activities will vest in stages over one year with no more 25% of the stock options vesting in any three month period. The exercise price of any stock options granted under the plan shall be determined by the Board, but may not be less than the market price of the common shares on the Exchange on the date of grant (less any discount permissible under Exchange rules). The term of any stock options granted under the plan shall be determined by the Board at the time of grant but may not exceed ten years.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price \$
Outstanding, December 31, 2017	2,745,000	0.15
Granted	200,000	0.15
Expired	(645,000)	0.15
Outstanding, December 31, 2018	2,300,000	0.15
Granted	1,000,000	0.10
Outstanding, December 31, 2019	3,300,000	0.13

Additional information regarding stock options outstanding as at December 31, 2019, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.10	1,000,000	0.06	0.10
0.15	2,300,000	0.9	0.15
	3,300,000	0.9	0.13

During the year ended December 31, 2019, the Company recorded share-based compensation of \$54,164 (2018 - \$14,099) which was charged to operations. The weighted average grant date fair value of stock options granted during the year ended December 31, 2019 was \$0.05 (2018 - \$0.07) per share.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.93%	1.93%
Expected life (in years)	1	2
Expected forfeitures	0%	0%
Expected volatility	160%	164%



## **TORINO POWER SOLUTIONS INC.**

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### **9. Financial Instruments and Risk Management**

#### (a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash and cash equivalents, restricted cash, amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (a) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and restricted cash. The Company limits the exposure to credit risk by only investing its cash and cash equivalents and restricted cash with high-credit quality financial institutions. Amounts receivable consists of GST receivable from the Government of Canada. The carrying amount of these financial assets represents the maximum credit exposure.

#### (b) Foreign Exchange Rate Risk and Interest Rate Risk

The Company is not currently exposed to foreign exchange rate risk or interest rate risk.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### **10. Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital, share-based payment reserve, and shares issuable.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2018.

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 11. Commitment

In connection with the acquisition of intellectual property from the University of Manitoba, the Company is required to make the milestone payments as follows:

- \$250,000 within 30 days of the Company achieving cumulative gross sales of \$10,000,000 with respect to the product, licencing revenues and/or sublicencing revenues relating to the assigned rights and/or the invention; and
- \$250,000 within 30 days of the Company achieving cumulative gross sales of \$20,000,000 with respect to the product, licencing revenues and/or sublicencing revenues relating to the assigned rights and/or the invention.

### 12. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2019 and 2018:

	2019 \$	2018 \$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(65,442)	(237,266)
Tax effect of:		
Permanent differences and other	15,070	3,649
True up of prior year difference	504,883	16,496
Change in unrecognized deferred income tax assets	(454,511)	217,121
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2019 \$	2018 \$
Deferred income tax assets:		
Non-capital losses carried forward	1,568,115	1,760,011
Property and equipment	30,781	6,708
Intangible assets	–	279,070
Share issuance costs	3,970	11,588
Unrecognized deferred income tax assets	(1,602,866)	(2,057,377)
Net deferred income tax asset	–	–

## TORINO POWER SOLUTIONS INC.

Notes to the financial statements  
Years ended December 31, 2019 and 2018  
(Expressed in Canadian dollars)

### 12. Income Taxes (continued)

As at December 31, 2019, the Company has non-capital losses carried forward of \$5,807,835 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	71,729
2032	309,877
2033	304,341
2034	1,232,960
2035	499,269
2036	1,050,355
2037	1,209,968
2038	883,978
2039	245,358
	<hr/> 5,807,835 <hr/>

### 13. Subsequent Event

On January 13, 2020, the Company and KABN Systems North America Inc. ("KABN") entered into a definitive agreement whereby the Company will acquire all of the issued and outstanding common shares in the capital of KABN in exchange for the Company's common shares on a one for one basis. Immediately prior to the share exchange, the Company will complete a 1-for-10 share consolidation. This transaction will result in reverse takeover of the Company by KABN. The proposed transaction is subject to shareholder and regulatory approval.

**SCHEDULE "C"**  
**KABN FINANCIAL STATEMENTS**

# **KABN Systems North America Inc.**

**Financial Statements**

**(Canadian Dollars)**

**For the period From May 1, 2019 (Incorporation  
Date) to September 30, 2019**



## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of KABN Systems North America Inc.

#### *Opinion*

We have audited the financial statements of KABN Systems North America Inc., (the "Company"), which comprise the statement of financial position as at September 30, 2019 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from May 1, 2019 (incorporation date) to September 30, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the period from May 1, 2019 (incorporation date) to September 30, 2019 in accordance with International Financial Reporting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$410,913 during the period ended September 30, 2019 and, as of that date there is a working capital deficit of \$81,428 and accumulated deficit of \$410,913. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
February 24, 2020  
Toronto, Ontario





**KABN Systems North America Inc.**  
**Statement of Loss and Comprehensive Loss**  
**For the period from May 1, 2019 (incorporation date) to September 30, 2019**

	<b>2019</b>
<b>Fee revenue</b>	<b>\$ 15,277</b>
<b>Expenses</b>	
Agent fees	25,000
Consulting fees	21,000
General and administrative costs	6,222
Interest on convertible debt	703
Legal and audit fees	217,630
Marketing and communications	48,969
Program setup fees	10,000
Web and infrastructure	11,603
Amortization	100,882
	<b>442,009</b>
<b>Loss before other income</b>	<b>(426,732)</b>
<b>Other income</b>	
Foreign exchange gain, net	15,819
<b>Comprehensive loss</b>	<b>\$ (410,913)</b>
<b>Basic and diluted loss per share (Note 13)</b>	<b>(0.012)</b>

**KABN Systems North America Inc.**  
**Statement of Changes in Shareholders' Equity**  
**For the period from May 1, 2019 (incorporation date) to September 30, 2019**

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	Number of Common Shares	Amount	Reserve for Warrants	Deficit	Total
Balance, May 1, 2019	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares(Note 8)					
Issued for initial license fees (Note 7)	32,500,000	325,000	-	-	325,000
Issued to settle debt (Note 8)	2,100,000	150,089	59,911	-	210,000
Issued in connection with convertible debt (Note 6)	257,030	18,370	7,333	-	25,703
Issued in connection with private placement (Note 8)	10,130,000	724,002	288,998	-	1,013,000
Comprehensive loss	-	-	-	(410,913)	(410,913)
<b>Balance, September 30, 2019</b>	<b>44,987,030</b>	<b>\$ 1,217,461</b>	<b>\$ 356,242</b>	<b>\$ (410,913)</b>	<b>\$ 1,162,790</b>

**KABN Systems North America Inc.**  
**Statement of Cash Flows**  
**For the period from May 1, 2019 (incorporation date) to September 30, 2019**

	<b>2019</b>
<b>Cash provided by (used in)</b>	
<b>Operations</b>	
Comprehensive loss	\$ (410,913)
Items not affecting cash	
Amortization	100,882
Foreign exchange gain, net	(15,819)
	<b>(325,850)</b>
<b>Net changes in non-cash working capital:</b>	
Increase in prepaid expenses and other current assets	(277,800)
Increase in accrued expenses	270,835
Increase in accounts receivable	(7,946)
Increase in harmonized sales tax receivable	(44,072)
Increase in due from Pegasus Fintech Canada Inc.	(141,374)
	<b>(526,207)</b>
<b>Investing</b>	
Purchase of intangible assets	(512,496)
<b>Financing</b>	
Proceeds from issuance of convertible debt	25,703
Proceeds from issuance of common shares and units	1,013,000
	<b>1,038,703</b>
<b>Net change in cash</b>	<b>-</b>
<b>Cash, beginning of period</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ -</b>

# KABN Systems North America Inc.

## Notes to Financial Statements

September 30, 2019

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

KABN Systems North America Inc. (the "Company") was incorporated under the laws of the province of Ontario, Canada on May 1, 2019. The Company is the exclusive licensee of KABN (Gibraltar) Ltd's financial services platform, KABN ID with a patent-pending enabled *Always On* identity and revenue programs in the US and Canada. The Company, focused on the millennial marketplace, offers a proprietary financial related services platform with low customer acquisition costs, scalability and recognized revenue programs. The Company's unique value proposition is to create customer services that engage with both traditional currencies and new digital currencies in combination with a lost cost of customer acquisition, approval by VISA, brand partnerships and global scalability to create a highly efficient revenue focused environment. As at September 30, 2019, Crypto KABN Holdings Inc. and KABN Gibcan Inc. holds a combined 56.35% of the Company's total common shares outstanding. KABN (Gibraltar) Ltd. controls KABN Gibcan Inc.

The address of the Company's head office and the registered and records office is 1-7357 Woodbine Avenue, Suite 605, Markham, ON, L3R 6L3.

The Company's financial statements as at September 30, 2019 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, and prior operating results. During the period ended September 30, 2019, the Company has incurred net loss and deficit of \$410,913. As at September 30, 2019, the Company has a working capital deficit of \$81,428. These factors raise substantial doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

These financial statements were authorized for issue by the Board of Directors on February 24, 2020.

## KABN Systems North America Inc.

### Notes to Financial Statements

September 30, 2019

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## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period ended September 30, 2019, unless otherwise stated.

These financial statements have been prepared on a historical cost convention. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements have been prepared in Canadian dollars which is the functional currency and presentation currency of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Financial Instruments

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortized cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *Financial assets at fair value through profit or loss*

Financial assets not classified at amortized cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognized in profit or loss.

#### *Financial assets at amortized cost*

The Company classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Due from related party and accounts receivable are classified under this category.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

#### **Financial Instruments (Cont'd)**

##### *Financial liabilities*

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method.

Accrued expenses represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortized cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **Impairment of Financial Assets**

The Company recognizes a loss allowance for expected credit losses on financial assets which are either measured at amortized cost or fair value through other comprehensive income. With respect to accounts receivable, the Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, accounts receivable will be grouped based on days overdue.

#### **Intangible Assets**

Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less accumulated amortization and any impairment. The gains or losses recognized in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

##### *Licensing rights - KABN Platform Software*

Significant costs associated with the licensing rights are deferred and amortized on a straight-line basis over the period of their expected benefit, being their useful life of 5 years.

#### **Impairment of Non-Financial Assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## **KABN Systems North America Inc.**

### **Notes to Financial Statements**

**September 30, 2019**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

#### **Share-based Payments**

Share-based payments to officers, directors and consultants are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

#### **Issuance of Units**

Cash consideration received on the sale of a share and share purchase warrant (i.e. unit) classified as equity is allocated, within equity, to its respective equity accounts on a reasonable basis. The proceeds from the issuance of units are allocated between share capital and reserve for warrants. The Company follows the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issuance of units are allocated first to the share purchase warrants reserve using the Black-Scholes option-pricing model. The residual amount, being the difference between the unit issuance proceeds and the warrants value, is recognized as share capital.

In circumstances where finder's warrants are issued coincidentally with a unit offering, the finder's warrants are valued using the Black-Scholes option pricing model.

If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire unexercised on maturity, the recorded value is transferred to accumulated deficit.

#### **Revenue Recognition**

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative standalone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Fee revenues are recognized over time as services are rendered based on a fixed price.

#### **Loss Per Share**

##### *Basic loss per share*

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

#### **Loss Per Share (Cont'd)**

##### *Diluted loss per share*

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Income Taxes**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognized for prior periods, where applicable.

Deferred tax assets and liabilities are recognized for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. There was no deferred tax asset recognized relating to unused tax losses for the period ended September 30, 2019.

The carrying amount of recognized and unrecognized deferred tax assets are reviewed at each reporting date. Deferred tax assets recognized are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognized deferred tax assets are recognized to the extent that it is probable that there are future taxable profits available to recover the asset.



**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Income Taxes (Cont'd)**

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Foreign Currency Translation**

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates.

*Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. After initial recognition, foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

**Fair Value Measurement**

Where fair value is used to measure assets and liabilities in preparing these financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined from inputs that are classified within the fair value hierarchy defined under IFRS as follows:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

## **KABN Systems North America Inc.**

### **Notes to Financial Statements**

**September 30, 2019**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

##### **Provisions**

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognized as a finance cost.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the estimated useful life of intangibles and collectibility of harmonized sales tax receivable. The useful lives could change significantly as a result of technical innovations or some other event. The amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete that have been abandoned will be written off or written down.

The Company is not yet registered for its harmonized sales tax account with the tax regulator. As at September 30, 2019, the Company has harmonized sales tax receivable of \$44,072. Management considers the collectibility of this amount to be probable and recognized the receivable accordingly in the statement of financial position. If the tax regulator rules otherwise, this would result in the receivable being fully or partially written off.

#### **5. RELEVANT STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED**

Effective for annual reporting periods commencing on January 1, 2020, the IASB has made amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

## KABN Systems North America Inc.

### Notes to Financial Statements

September 30, 2019

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#### 5. STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED (Cont'd)

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Company does not expect for this standard to have a significant impact on the financial statements.

Effective for annual reporting periods commencing on January 1, 2020, the IASB has made amendments to the definition of a business under IFRS 3 "Business Combinations" which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

The Company is yet to assess the impact of this standard on the financial statements.

#### 6. CONVERTIBLE DEBT

On June 4, 2019, the Company received \$25,000 in the form of a convertible debenture, carrying a two-year term to maturity with an interest rate of 18% per annum and convertible at the option of the holder into units at a price of \$0.10. On July 31, 2019, the holder elected to convert the debt and accrued interest of \$703 into a subscription into the private placement of units in the Company (Note 8).

#### 7. INTANGIBLES

	<b>2019</b>
Licensing rights - at cost	<b>\$ 1,345,100</b>
Less: accumulated amortization	<b>(100,882)</b>
<b>Balance at September 30, 2019</b>	<b>\$ 1,244,218</b>

On May 15, 2019, the Company entered into a sub-licensing agreement with KABN (Gibraltar) Ltd. (the "licensing agreement") which grants the Company an exclusive sublicense to KABN (Gibraltar) Ltd's financial services platform, KABN ID with a patent-pending enabled *Always On* identity and revenue programs in the US and Canada (see Note 1). The cost of intangibles represents the initial license fee of US\$1,000,000 payable upon execution of agreement, of which \$325,000 was paid by way of issuance of 32,500,000 common shares of the Company at \$0.01 per share (Notes 8 and 10).

**8. SHARE CAPITAL**

**Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value.

**Issued Share Capital**

As at September 30, 2019, the Company had issued 44,987,030 common shares.

As part of the licensing arrangement between KABN (Gibraltar) Ltd. and Crypto Kabn Holdings Inc., 12,500,000 common shares were directed by KABN (Gibraltar) Ltd. to be issued from the Company to Crypto Kabn Holdings Inc. The remaining 12,500,000 common shares owned by KABN (Gibraltar) Ltd. were assigned to its wholly-owned subsidiary, KABN GibCan Inc. Crypto Kabn Holdings Inc. is the head licensor to certain intellectual property sublicensed to the Company by KABN (Gibraltar) Ltd.

In May 2019, the Company issued a total of 7,500,000 common shares to KABN (Gibraltar) Ltd at a share price of \$0.01 per common share as additional payment to KABN (Gibraltar) Ltd. for the license fees referred to in Note 7.

In July 2019, the Company closed its first tranche of a private placement and issued 3,862,030 units for gross proceeds of \$311,203 and settlement of debt of \$75,000. Proceeds were raised in advance of the closing in June (\$160,000 as at June 30, 2019) and July and includes conversion of \$25,703 of convertible debt. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles a holder to purchase one common share at \$0.15 per share, and expires at 18 months following the closing date of the private placement unless the acceleration clause is met which is a closing price of \$0.25 or higher for 20 consecutive trading days on a regulated market.

On August 30, 2019, the Company closed its second tranche of a private placement and issued 8,625,000 units for gross proceeds of \$727,500 and settlement of debt of \$135,000. Each unit consists of one common share and one-half share purchase warrant on the same terms as the first tranche private placement closing described above.

**9. SHARE PURCHASE WARRANTS**

	Weighted Average Exercise Price	Number of Shares Issuable on Exercise
Issuance of warrants (Note 8)	0.15	6,243,515
<b>Balance at September 30, 2019</b>	<b>0.15</b>	<b>6,243,515</b>

During the period ended September 30, 2019, the Company issued 6,243,515 share purchase warrants and recorded a total fair value of \$356,242.

## KABN Systems North America Inc.

### Notes to Financial Statements

September 30, 2019

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#### 9. WARRANTS (Cont'd)

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model. The first tranche of warrants assumed a risk-free interest of 1.35% and an expected life of 18 months. The second tranche of warrants assumed a risk free interest rate of 1.55% and an expected life of 2 years. Both tranches of warrants were assumed to have an expected volatility of 150% and no expected dividends. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information.

#### 10. RELATED PARTY TRANSACTIONS

The Company's related parties include its key management personnel, and companies related by way of directors or shareholders in common.

As at September 30, 2019, \$281,785 (US\$ 212,780) remains outstanding to KABN (Gibraltar) Ltd. on the initial license fee of \$1,345,100 (US\$ 1,000,000) recorded as an intangible asset.

On the first anniversary of the license agreement, and for each anniversary thereafter, an annual license of \$250,000 USD will be due to KABN (Gibraltar) Ltd. Royalties of 14% of gross margins of the Company are payable to KABN (Gibraltar) Ltd. calculated on annual calendar results.

There is no cash compensation to management by the Company for the period ended September 30, 2019. Management has been provided to the Company by its founding shareholder KABN (Gibraltar) Ltd. for a maximum period of nine months from May 15, 2019 with an option to extend this deadline by mutual agreement. KABN Gibraltar Ltd. and the Company mutually agreed to extend up to the the date of the finalization of the planned reverse takeover transaction (Note 14).

As at September 30, 2019, the Company has receivables of \$141,374 from Pegasus Fintech Canada Inc., an affiliate controlled by a key management personnel of the Company.

#### 11. FINANCIAL INSTRUMENTS

##### Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at September 30, 2019 is summarized as follows:

	<b>September 30, 2019</b>
<b>Financial Assets - at amortized cost:</b>	
Due from Pegasus Fintech Canada Inc.	\$ 141,374
Accounts receivable	7,946
	<b>\$ 149,320</b>

**11. FINANCIAL INSTRUMENTS (Cont'd)**

	<b>September 30, 2019</b>
<b>Financial Liabilities - at amortized cost:</b>	
Due to KABN (Gibraltar) Ltd.	<b>\$ 281,785</b>
Accrued expenses	<b>270,835</b>
	<b>\$ 552,620</b>

The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

**Risk Exposure**

The Company's financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (Note 12).

*Concentration of Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its due from Pegasus Fintech Canada Inc. and accounts receivable.

The Company did not have significant exposure to credit risk at the date of the statement of financial position from its financial instruments.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows, as well as future equity and debt financing.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 12. The Company's financial liabilities are comprised of its accrued expenses and Due to KABN (Gibraltar) Ltd., the contractual maturities of which are summarized as follows:

**11. FINANCIAL INSTRUMENTS (Cont'd)**

	<b>September 30, 2019</b>
Financial liabilities with contractual maturities	
Within 90 days or less	<b>\$ 552,620</b>

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no exposure at September 30, 2019 to interest rate risk.

*Currency Risk*

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments, and accrued liabilities that are denominated in US dollars.

As at September 30, 2019, the Company has net financial liabilities of \$281,785 that are denominated in US dollars. Based on the above net exposure at September 30, 2019, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in a \$28,178 increase or decrease in profit or loss. The Company has not employed any currency hedging programs during the current period.

**12. CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds for the growth of the Company. Capital is comprised of the Company's shareholders equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

**13. BASIC AND DILUTED LOSS PER SHARE**

Comprehensive loss for the period ended September 30, 2019	(410,913)
Weighted average number of common shares	35,084,613
Basic and diluted loss per share	(0.012)

**14. SUBSEQUENT EVENTS**

In November and December 2019, the Company issued 250,000 and 50,000 units, respectively at \$0.10 per share for total gross proceeds of \$30,000. Each unit consists of one common share and one-half share purchase warrant on the same terms as the private placement closing described in Note 8.

On January 13, 2020, the Company and Torino Power Solutions Inc. ("TPS") entered into a definitive agreement whereby the TPS will acquire all of the issued and outstanding common shares in the capital of the Company in exchange for TPS' common shares on a one for one basis. Immediately prior to the share exchange, TPS will complete a 1-for-10 share consolidation. This transaction will result in reverse takeover of TPS by the Company. The proposed transaction is subject to shareholder and regulatory approval.



**SCHEDULE "D"**  
**TPS MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Torino Power Solutions Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the financial year ended December 31, 2019

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements and notes thereto for the year ended **December 31, 2019** of Torino Power Solutions Inc. (the "Company"). Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

### DATE

This MD&A is prepared as of February 14, 2020.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to Dynamic Thermal Circuit Rating (DTCR) technology development, also known as Power Line Monitoring technology ("PLM") and future mineral property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about its (DTCR) technology. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) inability to develop an effective DTCR technology (3) delays in technology development (4) industry competition (5) the uncertainty of government regulation (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, (7) inability to finance (8) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

### DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the province of British Columbia on September 10, 2014 as Torino Ventures Inc. The Company changed its name to Torino Power Solutions on November 13, 2016. On November 6, 2015, the Company and Smart Autonomous Solutions Inc. ("SAS") completed a Share Exchange Agreement whereby the Company acquired all of the issued and outstanding shares of SAS. SAS was considered to have acquired the Company with the Share Exchange Agreement being accounted as a reverse takeover of the Company by SAS shareholders (the "RTO"). As SAS was deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on May 13, 2011 were included in the December 31, 2015 consolidated financial statements at their historical carrying value. The consolidated financial statements were a continuation of SAS in accordance with IFRS 3, Business Combinations. The Company's results of operations are included from November 6, 2015 onwards, the closing date.

The Company’s primary business is the development and commercialization of its patented DTCR technology and proprietary system architecture for application in overhead transmission lines. On June 4, 2012, the Company, formerly known as Smart Autonomous Solutions Inc. (“SAS”) entered into a binding Intellectual Property and Subscription Agreement with the University of Manitoba for the purchase of certain Canadian and US patent applications entitled, “A Sensing System Based on Multiple Resonant Electromagnetic Cavities” and International patent application entitled, “Measuring Strain in a Structure using a sensor having electromagnetic resonator”. In consideration for the Intellectual Property and Subscription Agreement, SAS, paid the University of Manitoba a total of 2,500,000 common shares and \$250,000 in cash.

The Company holds the following patents in relation to the Intellectual Property and Subscription Agreement with the University of Manitoba:

File Date	Country	App Type	Identification	Status
Measuring strain in a structure using a sensor having an electromagnetic resonator (US title)				
2003-06-26	Canada	Nationalized PCT	2,486,551	Granted Patent
2004-12-27	United States	Nationalized PCT	US 7,347,101	Granted Patent
2003-06-26	Europe	Nationalized PCT	EP1520159	Granted Patent
Sensing system based on multiple resonant electromagnetic cavities (US title)				
2006-09-12	Canada	Substantive	2,559,694	Granted Patent
2006-09-12	United States	Substantive	US 7,441,463	Granted Patent
2006-11-24	Australia	Substantive	2006241369	Granted Patent

The SAS – University of Manitoba agreement also includes a provision for “Technology Rights” which covers all technical information, know-how, processes, procedures, compositions, methods, formulas, protocols, techniques or data developed by the Inventors at the University relating to the Invention, and in the possession of the University, which are not covered by the Patent Rights, but which in the opinion of the University, are necessary for practicing the inventions and discoveries disclosed and validly claimed in the Patent Rights (collectively, the “Technology Rights”); and any future Improvements.

### **Milestone payments to the University of Manitoba**

#### **Milestone payment 1**

Within 30 days of the Company achieving cumulative gross sales of Ten Million Dollars (\$10,000,000) with respect to the Product, licensing revenues and/or sublicensing revenues relating to the Assigned Rights and/or the Invention, the University shall receive Two Hundred Fifty Thousand (\$250,000), plus any applicable taxes, from the Company (“Milestone payment No.1”).

#### **Milestone payment 2**

Within 30 days of the Company achieving cumulative gross sales of Twenty Million Dollars (\$20,000,000) with respect to the Product, licensing revenues and/or sublicensing revenues relating to the Assigned Rights and/or the Invention, the University shall receive a further Two Hundred Fifty Thousand (\$250,000), plus any applicable taxes, from the Company (“Milestone payment No.2”).

The following patents have been filed by the Company:

Method and apparatus for monitoring physical properties				
2012-08-20	United States	Substantive	US 8,829,924	Granted Patent
Cable Temperature Sensor				
2019-05-07	United States	Provisional	US 62/844,684	Patent Pending

### REVERSE ASSET ACQUISITION TRANSACTION OF TORINO VENTURES INC.

Effective November 5, 2015, the Company completed a reverse asset acquisition (the "Transaction") of Torino Ventures Inc., a reporting issuer in B.C., Alberta and Manitoba. Pursuant to the Transaction, former SAS shareholders received 12,062,927 common shares of the Company out of a total 17,662,905 common shares of the Company issued and outstanding on the closing date of the Transaction. After completion of the share exchange agreement, the shareholders of SAS held approximately 68% of the Company. Accordingly, SAS was considered to have acquired the Company with the Transaction being accounted as a reverse asset takeover of the Company by SAS shareholders. As a result of the Transaction, the Company is a reporting issuer in B.C., Alberta, and Manitoba. As SAS was deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on May 13, 2011 were included in the December 31, 2016 financial statements at their historical carrying values. The consolidated financial statements were a continuation of SAS. The Company's results of operations are included from November 6, 2015 onwards.

### OVERALL PERFORMANCE

The Company was incorporated on September 10, 2014 and completed its plan of arrangement on March 12, 2015 is a reporting issuer in British Columbia, Alberta and Manitoba. The Company has not generated revenues to date from its Dynamic Thermal Circuit Rating (DTCR) technology and anticipates that it will continue to require equity financing to fund operations until such time a commercial product is developed and generates revenues on a profitable basis. The Company is focussed on commercializing and generating sales for its technology and management anticipates that expenses will increase during the foreseeable future as the Company carries out certification, pilot testing and refinement of its technology, installation and support capabilities. The Company has incurred costs in connection with the technology development and commercialization business. Net loss for the year ended December 31, 2019 was \$242,377 (2018- \$878,762).

### SELECTED ANNUAL INFORMATION

The following information sets out the Company's audited selected annual information for the years ended December 31, 2019, 2018, and 2017:

	December 31, 2019	December 31, 2018	December 31, 2017
	(\$)	(\$)	(\$)
Net loss	(242,377)	(878,762)	(2,774,314)
Basic and diluted loss per share	-	(0.02)	(0.07)
Total assets	13,200	109,495	355,539

As an early stage technology development company, the Company has not generated revenues to date from the development of its DTCR technology. The Company incurred a net loss of \$242,377 during the year ended December 31, 2019 largely as a result of technology research and development, business development, and administrative costs for operating the Company. The Company has one pilot installation and this installation has not generated any revenue to date.

During the year ended December 31, 2019, the Company reduced operational costs that included consulting fees, employment contracts, and research and development of its DTCR technology.

During the year ended December 31, 2018, the Company maintained operational costs that included consulting fees, employment contracts, and research and development of its DTCR technology, while increasing business development and partnering activities.

During the year ended December 31, 2017, the Company incurred increased operational costs that included consulting fees, employment contracts and a ramp up research and development of its DTCR technology, increase in business development activities, and serviced its sole pilot customer. Included in the net loss for the year was an impairment of intangible assets of \$1,337,292 due to the uncertainty of future cash flows.

The Company anticipates that expenses will continue to rise in connection with the Company's focus on the identification and development of its technology business. See the discussion under the headings "Liquidity" and "Capital Resources" for more information.

## **RESULTS OF OPERATIONS**

### **Year ended December 31, 2019 compared to December 31, 2018**

During the year ended December 31, 2019, the Company incurred expenses of \$345,963 (2018 - \$997,762). Significant changes in expenses over the two periods were a result of a decrease in operating costs during the period ended December 31, 2019. Consulting fees, wages and benefits, and research and development costs all decreased significantly due to a reduction in expenditures towards the DTCR technology and a reduction in management fees. Expenses consisted of consulting fees of \$180,406 compared to \$541,649 in 2018, a decrease due to lower fees paid to management during 2019, depreciation expense of \$1,864 (2018 - \$8,895), which consisted of software, computer and development equipment depreciation. Wages and benefits expenses were \$47,464, compared to \$109,521 in 2018, which was lower due to less employees, rent was \$10,411 (2018 - \$43,527), which was lower due to the Company reducing office space during the year ended December 31, 2019. Professional fees (accounting and legal) expenses were \$18,017 compared to \$13,942 in 2018, research and development expenses totalled \$983 compared to \$212,989 in 2018, a reduction development expenses were largely due to fewer materials purchases by the Company and reduced consulting fees related to the DTCR System. Transfer agent and filing fees were \$26,953 (2018 - \$29,515), share-based compensation was \$54,164 in 2019 compared to \$14,099 in 2018, the increased amount was due to the issuance of 1,000,000 stock options during 2019 compared to the issuance of 200,000 during the year ended December 31, 2018. Other income and expenses in 2019 consisted of a gain on the settlement of debt of \$108,000 compared to \$119,000 in 2018 and loss on disposal of property and equipment of \$4,414 compared to \$nil in 2018. Net loss for the year ended December 31, 2019 was \$242,377 compared to \$878,762 in 2018.

The Company anticipates that development and consulting expenses will decrease during the upcoming year as the development of the technology has been reduced. It is anticipated that other office and administrative costs will remain relatively stable going forward. Development of the technology and therefore spending related to the technology will be directly related to the Company's ability to raise additional capital.

### **Three-months ended December 31, 2019**

During the three-month period ended December 31, 2019, the Company incurred expenses of \$23,124 (2018 - \$251,235), primarily a gain on research and development costs of \$131 compared to an expenses of \$54,389 in 2018, consulting fees of \$nil (2018 - \$135,450), professional fees of \$17,423 (2018 - \$8,465), transfer agent and filing fees of \$17,622 compared to \$4,064 in 2018, amortization adjustment of \$4,414 compared to an expense of \$8,895 in 2018, rent expense of \$nil (2018 - \$10,560), wages and benefits of \$nil (2018 - \$24,652) and office and miscellaneous costs of \$2,219. Loss on disposal of property and equipment was \$4,414 was recorded during the quarter ended December 31, 2019. Gain on the settlement of debt for the quarter ended December 31, 2019 was \$108,000 (2017 - \$119,000). Net income for the three-month period ended December 31, 2019 was \$79,917 and net loss for the three-month period ended December 31, 2018 was \$132,235.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the 8 most recently completed quarters:

	Quarter Ended December 31, 2019 \$	Quarter Ended September 30, 2019 \$	Quarter Ended June 30, 2019 \$	Quarter Ended March 31, 2019 \$	Quarter Ended December 31, 2018 \$	Quarter Ended September 30, 2018 \$	Quarter Ended June 30, 2018 \$	Quarter Ended March 31, 2018 \$
	12/31/2019	09/30/2019	06/30/2019	03/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (loss)	79,917	(10,773)	(111,154)	(200,367)	(132,235)	(236,011)	(260,531)	(249,985)
Earnings (loss) per share, basic and diluted	-	-	-	-	-	-	(0.01)	(0.01)

On a quarter-by-quarter basis the loss can fluctuate significantly due to research and development costs during the period, consulting fees, placement fees in connection with financings, amortization, professional fees related to audits, filing fees, and the timing of stock option grants. As an early stage technology development company, the Company has not generated revenues to date from the development of its DTCR technology.

An analysis of the quarterly results over the last eight quarters shows that expenses of the Company have varied over the eight periods compared. The majority of the expenses were similar during the company's regular operations with expenses relating to the technology development from the quarter ended March 31, 2018 to the quarter ended January 31, 2019. During the quarters ended December 31, 2019 and December 31, 2018, the Company had a gain of settlement of debt of \$108,000 and \$119,000, respectively. During the quarters ended March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019, the Company had a reduction in development expenses due to having fewer employees and consultants, and purchasing fewer materials. During the quarter ended December 31, 2019, the Company realized a gain due to year-end adjustments, primarily due to the gain on the settlement of debt of \$108,000. Future development and commercialization of the DTCR technology will depend of the Company's ability to raise additional capital. Management anticipates expenditures to increase as the Company works to commercialize its DTCR technology. See the discussion under the headings "Liquidity" and "Capital Resources" for more information.

## LIQUIDITY

The Company has not completed a commercial sale of any of its technology holdings and accordingly, the Company does not generated cash from operations. The Company finances its activities by raising capital from equity markets. The Company may encounter difficulty sourcing future financing.

As at December 31, 2019, the Company had cash of \$10,861 (2018 - \$67,205), and a working capital deficiency of \$26,085 compared to working capital of \$82,850 at December 31, 2018.

On January 8, 2019, the Company issued 3,150,000 common shares with a fair value of \$220,500 to settle accounts payable of \$315,000 pursuant to the debt settlement agreements entered into on December 31, 2018.

On August 9, 2019, the Company issued 3,600,000 common shares with a fair value of \$72,000 to settle accounts payable of \$180,000. Included in this issuance is 1,800,000 common shares with a fair value of \$36,000 to settle accounts payable of \$54,000 for each of the President of the Company and the Chief Financial Officer of the Company. This resulted in a gain on settlement of debt of \$108,000.

If additional funds are required, the Company plans to raise additional capital primarily through private placements of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements. Due to the recovery from the global financial crisis, the Company may find it increasingly difficult to raise the funds required to continue the Company's operations. Share prices have undergone significant decreases and any issuance of the Company's equity securities in the near future may result in substantial dilution to the Company's existing shareholders.

## **CAPITAL RESOURCES**

The Company continues to utilize its cash resources to fund its administrative requirements and product development. As the Company does not currently generate revenue, cash balances will continue to decline as funds are utilized to conduct its operations, unless replenished by capital fundraising. In order to fund the Company's ongoing operational needs, the Company will need funding through equity or debt financing. The Company's operations to date have been financed by the issuance of its common shares. The Company continues to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to the Company.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the ability of the Company to continue as a going concern will be in significant doubt. The Company has incurred \$7,765,742 in losses from inception including a net loss of \$242,377 for the year ended December 31, 2019 (2018 - \$878,762), and has working capital deficiency of \$26,085 as at December 31, 2019 and working capital of \$82,850 as at December 31, 2018.

### **Operating Activities**

The Company used net cash of \$77,344 in operating activities during the year ended December 31, 2019 (2018 - \$426,950).

### **Financing Activities**

The Company received net cash of \$nil in financing activities during the year ended December 31, 2019 (2018 - \$217,250).

### **Investing Activities**

The Company received net cash of \$21,000 from investing activities during the year ended December 31, 2019 and used cash of \$1,409 during the year ended December 31, 2018.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

- (a) During the year ended December 31, 2019, the Company incurred consulting fees of \$90,000 (2018 - \$180,000) to the Chief Executive Officer of the Company.
- (b) During the year ended December 31, 2019, the Company incurred consulting fees of \$90,000 (2018 - \$180,000) to the Chief Financial Officer of the Company.

## **PROPOSED TRANSACTIONS**

On January 13, 2020, the Company and KABN Systems North America Inc. ("KABN") have entered into a share exchange agreement whereby the Company will acquire all of the issued and outstanding common shares in the capital of KABN in exchange for the Company's common shares on a one for one basis. Immediately prior to the share exchange, the Company will complete a 1-for-10 share consolidation. This transaction will result in reverse takeover of the Company by KABN. The proposed transaction is subject to shareholder and regulatory approval.

## ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, marketable securities, amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the audited financial statements for the year ended December 31, 2019 to which this MD&A relates.

## DISCLOSURE OF OUTSTANDING SHARE DATA

### Common Shares

As at February 14, 2020, the Company had 59,722,988 common shares issued and outstanding.

### Share Purchase Warrants

As at February 14, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
11,263,838	0.15	May 25, 2020

### Stock Options

As at February 14, 2020, the following stock options outstanding were outstanding:

Number of Options	Exercise Price	Expiry Date
2,100,000	\$0.15	May 13, 2021
200,000	\$0.15	June 4, 2020
1,000,000	\$0.10	January 22, 2020

## RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.



Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

### **Risks Related to the Company's Business**

*Because of the unique difficulties and uncertainties inherent in early stage technology development, the Company faces a high risk of business failure.*

**The Company currently does not generate revenue from its operations, and as a result, we face a high risk of business failure.**

The Company has a history of operating losses and may never achieve profitability in the future. The Company is an early stage technology company; accordingly, it has not generated any business income from its proprietary systems to monitor the Dynamic Thermal Circuit Rating.

The Company expects to be involved in research and development of its Dynamic Thermal Circuit Rating (DTCR) monitoring system, working to achieve certification for its technology and then performing pilot tests to determine its commercial viability. This process may take several years and require significant financial resources without income. The Company expects these expenses to result in continuing operating losses for the foreseeable future.

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and commercialize its DTCR monitoring system. Successfully developing a DTCR monitoring system into marketable solution may take several years and significant financial resources and the Company cannot assure that it can achieve these objectives.

### **Patents & IP**

The Company through its agreements with the University of Manitoba and on its own hold certain rights to existing patents and patent applications but cannot guarantee their final patent approval or commercial viability.

### **Industry Risks**

The market for DTCR monitoring system is characterized by evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements. The introduction of products embodying new technologies and the emergence of new industry standards and service offerings could render the Company's existing products and products currently under development obsolete. The Company's success will largely depend upon its ability to evolve its products and services to sufficiently keep pace with technological developments and respond to the needs of its existing and prospective customers. Failure to anticipate or respond adequately to technological developments or future customer requirements, or any significant delays in product development or introduction, could damage the Company's competitive position in the market place and effect commercialization plans. There can be no assurance that the Company will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis.

**Current and future competitors could have a significant impact on our ability to generate future revenue and profits**

The markets for our products are intensely competitive, and are subject to rapid technological change and other pressures created by changes within our industry. We expect competition to increase and intensify in the future as additional companies enter our markets, including competitors who may offer similar solutions but provide them through different means. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could experience diminished market share if our current or prospective competitors introduce new competitive products; add new functionality to existing products, acquire competitive products, reduce prices, or form strategic alliances with other companies. If competitors were to engage in aggressive pricing policies with respect to their products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our products and services, we might need to lower the prices we charge for the products we

plan to offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results.

#### **We may become involved in legal matters that may materially adversely affect us**

From time to time in the ordinary course of our business, the Company may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be highly expensive, the results of any such actions may have a material adverse effect on the Company's business, operations or financial condition.

#### **Investment in our current research and development efforts may not provide a sufficient, timely return**

The development of new software products and strategies is a costly, complex and time-consuming process, and the investment in technology product development often involves a prolonged time until a return is achieved on such an investment. We have made, and will continue to make, significant investments in technology development and related product opportunities. Investments in new products are inherently speculative and risky. Commercial success depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for new development. These expenditures may adversely affect our operating results if they are not sufficiently offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our development efforts in order to maintain our competitive position. However, significant revenue from new product and service investments may not be achieved for a prolonged period of time, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as lucrative as the margins we previously experienced for our legacy products and services.

#### **Protection of proprietary technology can be unpredictable and costly**

The Company's success will depend in part upon successful new patent applications for its technology and protecting existing patents that the Company holds. Obtaining such patent protection can be costly and the outcome of any application for such can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of the Company's technology and products.

#### **Competition**

The planned business to be carried out by the Company will be highly competitive and involve a high degree of risk. There can be no assurance that the Company will be the only DTCR developer in North America or globally. In its efforts to achieve its objectives, the Company will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

#### **Uninsured or Uninsurable Risk**

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position.

#### **Conflicts of Interest**

Our executive officers and directors will devote only that portion of their time which, in their judgment and experience, is reasonably required for the management and operation of our business. Management may have conflicts of interest in allocating management time, services and functions among the Company and any present and future ventures which are or may be organized by our officers or directors and/or their affiliates. Management are not required to direct the Company as their sole and exclusive function, and they may have other business interests

and engage in other activities in addition to those relating to the Company. This includes rendering advice or services of any kind to other investors and creating or managing other businesses.

It is possible, however, that our directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

### **Dependence on Key Personnel**

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

### **Financial Liquidity**

The Company has not yet generated revenues and will likely operate at a loss as it looks to establish its first commercial DTCR products. The Company may require additional financing in order to execute its business plan. Our ability to secure required financing will depend in part upon investor perception of our ability to create a successful business. Capital market conditions and other factors beyond our control may also play important roles in our ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

### **Financial Statements Prepared on Going Concern Basis**

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the successful completion of financing and the creation of operations deemed successful according to the standards of our industry. The Company cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. Our financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Company be unable to continue as a going concern.

### **We do not have any business liability, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of resources.**

Insurance companies offer limited business insurance products and do not, to our knowledge, offer business liability insurance suitable to management. While business disruption insurance is available, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for directors liability and fire insurance, we do not have any business liability, disruption or litigation insurance coverage for our development operations. Any business disruption or litigation may result in our incurring substantial costs and the diversion of resources.

### **Our Articles of Association contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.**

Our Articles of Association contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by them in a civil, criminal or administrative action or proceeding to which they are made a party by reason of their being or having been a director or officer of the Company.

### **Share Price Volatility and Speculative Nature of Share Ownership**

Factors both internal and external to the Company may significantly influence the price at which our shares trade, and the volatility of our share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of shares.

Sentiment toward technology stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's shares. The Company is a relatively young company that is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's shares on any potential exchange.

#### **We do not intend to pay dividends.**

We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of a dividend. Because we do not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the price of our Shares. This may never happen and investors may lose all of their investment in the Company.

#### **Risks Relating to the Company's Common Stock**

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

#### **ADDITIONAL INFORMATION**

Additional information about the Company is available on SEDAR at <http://www.sedar.com>.

#### **BOARD APPROVAL**

The Board of Directors of the Company has approved this MD&A.

**SCHEDULE "E"**  
**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**TORINO POWER SOLUTIONS INC.**

Pro-Forma Consolidated Statement of Financial Position

(Unaudited – Prepared by Management)

December 31, 2019

(Expressed in Canadian dollars)

**TORINO POWER SOLUTIONS INC.**

Pro-Forma Consolidated Statement of Financial Position  
(Unaudited – prepared by management)  
(Expressed in Canadian dollars)

	Torino Power Solutions Inc. December 31, 2019	KABN Systems North America Inc. September 30, 2019	Note	Pro-Forma Adjustments \$	Pro-Forma Balance \$
	\$	\$		\$	\$
<b>Assets</b>					
<b>Current assets</b>					
Cash	10,861	–	3(c) 3(c) 3(d)	900,000 (50,000) (150,000)	710,861
Related party receivable		141,374			141,374
Accounts receivable	1,943	52,018			53,961
Prepaid expenses	396	277,800			278,196
<b>Total current assets</b>	<b>13,200</b>	<b>471,192</b>			<b>1,184,392</b>
<b>Non-current assets</b>					
Licensing rights	–	1,244,218			1,244,218
<b>Total non-current assets</b>	<b>–</b>	<b>1,244,218</b>			<b>1,244,218</b>
<b>Total assets</b>	<b>13,200</b>	<b>1,715,410</b>			<b>2,428,610</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	39,285	270,835			310,120
Due to licensor	–	281,785			281,785
<b>Total liabilities</b>	<b>39,285</b>	<b>552,620</b>			<b>591,905</b>
<b>Shareholders' Equity</b>					
Share capital	7,162,975	1,217,461	3(c) 3(b) 3(b) 3(b) 3(b) 3(b) 3(d)	900,000 (50,000) (7,162,975) 895,844 (576,682) 264,302 7,765,742 (1,186,231) (150,000)	2,963,305
Reserves	576,682	356,242			620,544
Accumulated deficit	(7,765,742)	(410,913)			(1,747,144)
<b>Total shareholders' equity</b>	<b>(26,085)</b>	<b>1,162,790</b>			<b>1,836,705</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,200</b>	<b>1,715,410</b>			<b>2,428,610</b>
Basis of presentation (Notes 1 & 2)					

## **TORINO POWER SOLUTIONS INC.**

Notes to the Pro-Forma Consolidated Statement of Financial Position

As at December 31, 2019

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

### **1. BASIS OF PRESENTATION**

The unaudited pro-forma consolidated statement of financial position of Torino Power Solutions Inc. (the “Company”) have been prepared by management in accordance with International Financial Reporting Standards from information derived from the audited consolidated financial statements of the Company for the year ended December 31, 2019, and the audited financial statements of KABN Systems North America Inc. (“KABN”) for the period from May 1, 2019 (date of incorporation) to September 30, 2019 together with the other information available to the Company. The unaudited pro-forma consolidated statement of financial position has been prepared for inclusion in the listing statement of the Company, which contains the details of the three-cornered amalgamation and the Canadian Stock Exchange listing.

The unaudited consolidated pro-forma statement of financial position should be read in conjunction with the December 31, 2019 audited financial statements of the Company along with the audited financial statements of KABN Systems North America Inc. (“KABN”) for the period from May 1, 2019 (date of incorporation) to September 30, 2019.

The unaudited pro-forma consolidated statement of financial position of the Company has been compiled using the significant accounting policies of the Company to December 31, 2019 and of KABN to September 30, 2019 and those accounting policies expected to be adopted by the Company.

The unaudited pro-forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been attained had the transactions actually taken place at the dates indicated and do not purport to be indicative of the effects that may be expected to occur in the future.

### **2. PROPOSED TRANSACTION AND BASIS OF PRESENTATION**

The Company is currently listed on the Canadian Securities Exchange (CSE) under the symbol TPS.

On January 13 2020, the Company and its newly formed wholly owned subsidiary 2733668 Ontario Inc. (“Subco”) entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with KABN, an arm’s length private company, whereby the Company will acquire KABN (the “Transaction”). The Transaction is structured as a “three-cornered amalgamation” whereby KABN amalgamated with Subco, thereby forming Amalco. Amalco will be a wholly-owned subsidiary of the Company and concurrently the Company will change its name to KABN Systems North America. Pursuant to the Amalgamation Agreement, the Company will acquire all of the issued and outstanding shares of KABN in exchange for issuance of common shares of the Company. The Transaction will result in the business of KABN becoming the business of the Company.

The Amalgamation Agreement sets out a number of terms of the Transaction, including the following:

- (a) Subco and KABN amalgamated, thereby forming Amalco;
- (b) each KABN shareholder transferred their KABN shares to the Company in exchange for common shares of the Company on a one for one basis;



## **TORINO POWER SOLUTIONS INC.**

Notes to the Pro-Forma Consolidated Statement of Financial Position

As at December 31, 2019

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

### **2. PROPOSED TRANSACTION AND BASIS OF PRESENTATION (continued)**

- (c) the Company will received one fully paid and non-assessable common share of Amalco for each common share of Subco held by the Company, following which all such common shares of Subco will be cancelled;
- (d) KABN shares held by the Company as a result of the exchanges described in (b) above will be cancelled and Company will receive one common share of Amalco for each KABN share that will be cancelled, and Amalco will be a wholly-owned subsidiary of the Company; and
- (e) Stock Options and Warrants of the Company will be issued to the holders of the KABN Stock Options and KABN Warrants, respectively, in exchange and replacement for, on an equivalent basis, such KABN Stock Options and KABN Warrants, which will then be cancelled.

Subsequent to giving effect to the Transaction (inclusive of the 6,000,000 common shares issued pursuant to the financing), the issued and outstanding share capital of the Company is expected to consist of 56,959,328 common shares, undiluted. The former shareholders of KABN will hold 44,987,030 common shares of the Company, representing 79% of the post-Transaction issued and outstanding common shares of the Company.

On a fully diluted basis, total issued and outstanding common share would consist of 67,659,226 common shares. The former shareholders of KABN will hold 44,987,030 common shares of the Company, representing 66% of the post-Transaction issued and outstanding common shares of the Company.

Because the former shareholders of KABN will obtain control of the Company, the Transaction is considered a purchase of the Company by KABN and is accounted for as a reverse acquisition. This reverse acquisition is not a business combination and therefore outside the scope of IFRS 3 Business Combinations. As KABN has granted equity investments in return for goods and services received, the transaction falls under the scope of IFRS 2 Share Based Payment. The consideration is based on the fair value of the Company's common shares that were exchanged as this is the most reliable indicator of fair value. The consideration is recognized with a corresponding increase in the equity of KABN.

### **3. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS**

The unaudited pro-forma consolidated statement of financial position as at December 31, 2019 has been prepared assuming that the transactions below occurred on December 31, 2019.

- a. The Company currently has 59,722,988 common shares issued and outstanding. Prior to closing the transaction, there will be a consolidation of the Company's issued and outstanding common shares on the basis of ten pre-consolidation shares for one post-consolidation share. Post-consolidation, the Company will have 5,972,298 common shares issued and outstanding.

**TORINO POWER SOLUTIONS INC.**

Notes to the Pro-Forma Consolidated Statement of Financial Position

As at December 31, 2019

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

**3. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)**

b. The unaudited pro-forma consolidated statement of financial position gives effect to the acquisition of KABN's outstanding common shares by the Company in accordance with accounting guidance pertaining to reverse acquisitions under IFRS. All of the Company's deficit and other business equity balances prior to the Transaction are eliminated as follows:

• Share capital	\$7,162,975
• Share-based payment reserve	\$576,682
• Deficit	\$7,765,742

The preliminary determination and allocation of the estimated purchase price is subject to change and is summarized below:

**Purchase Price**

## Outstanding Common Shares of the Company

Post-consolidated outstanding common shares (i)	5,972,298	
Price per common share (i)	\$ 0.15	
		\$ 895,844

## Fair Value of the Company's options

Total post-consolidated number outstanding (ii)	230,000	
Fair value of options (ii)		264,302

**Total Purchase Price** **\$ 1,160,146**

Preliminary estimate of allocation of purchase price

Net liabilities assumed (iii)	(26,085)
Charge related to public company listing	1,186,231

**Total Purchase Price** **\$ 1,160,146**

**i) The Company's Issued and Outstanding Shares**

The Company's post-consolidated issued and outstanding number of common shares of 5,972,298 and a price of \$0.15 per common share based on completion of the concurrent financing described in Note 3(c).

**TORINO POWER SOLUTIONS INC.**

Notes to the Pro-Forma Consolidated Statement of Financial position

As at December 31, 2019

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

**3. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)****ii) Options**

As at December 31, 2019, the Company had 2,300,000 options outstanding. The options were valued as at December 31, 2019 at \$264,302 using Black-Scholes option pricing model with the following assumptions:

	2019	2018
Risk-free interest rate	2.00%	1.93%
Expected life of options	1.00 year	2.00 year
Expected annualized volatility	143%	164%
Expected dividend rate	0	0

Post-consolidation, the Company will have 230,000 options outstanding.

**iii) Fair Market Value of the Company's Net Assets**

The fair market value of the Company's net assets is estimated to be consistent with their carrying values.

**iv) Par Value Capital Stock**

The Pro-Forma Consolidated Statement of Financial Position assumes that the capital structure of the resulting entity will not have par value common shares. Therefore, the par value of KABN common shares has been allocated to share capital.

- c. Prior to completion of the Transaction, KABN is proposing to complete a financing to issue up to 6,000,000 units at \$0.15 per unit for gross proceeds of \$900,000. Each unit will consist of one common share and one-half (1/2) share purchase warrant, with each whole warrant having an exercise price of \$0.20.
- d. The Company anticipates transaction costs will be approximately \$150,000.

**4. INCOME TAXES**

No value has been ascribed to any acquired tax losses carried forward by the Company as part of the Transaction. The Company is a shell company with no business and has no source of revenues and it is not known whether future taxable profits will be available to utilize those losses prior to expiry. The Company expects the corporate tax rate to be 27%.

**TORINO POWER SOLUTIONS INC.**

Notes to the Pro-Forma Consolidated Statement of Financial Position

As at December 31, 2019

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

**Note 5. Pro-Forma Statement of Shareholders' Equity**

	Note	Number of Common Shares	Share Capital \$	Reserves \$	Deficit \$	Total \$
Balance per audited financial statement of KABN, September 30, 2019		44,987,030	1,217,461	356,242	(410,913)	1,162,790
Balance per audited financial statement of the Company, December 31, 2019		59,722,988	7,162,975	576,682	(7,765,742)	(26,085)
Consolidation of Company shares		(53,750,690)	-	-	-	-
Transaction adjustment		-	(7,162,975)	(576,682)	7,765,742	26,085
Shares of KABN exchanged upon transaction		(44,987,030)	-	-	-	-
Shares of the Company issued upon transaction		44,987,030	895,844	264,302	(1,186,231)	(26,085)
Shares issued in concurrent financing		6,000,000	900,000	-	-	900,000
Share issuance costs		-	(50,000)	-	-	(50,000)
Transaction costs		-	-	-	(150,000)	(150,000)
<b>Balance, December 31, 2019</b>		<b>56,959,328</b>	<b>2,963,305</b>	<b>620,544</b>	<b>(1,747,144)</b>	<b>1,836,705</b>

**SCHEDULE "F"**  
**BUSINESS COMBINATION AGREEMENT**

**BUSINESS COMBINATION AGREEMENT**

**AMONG**

**TORINO POWER SOLUTIONS INC.**

**- and -**

**KABN SYSTEMS NORTH AMERICA INC.**

**- and -**

**2733668 ONTARIO INC.**

**Dated January 13, 2020**

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## BUSINESS COMBINATION AGREEMENT

THIS AGREEMENT dated January 13, 2020 is made

### AMONG:

**TORINO POWER SOLUTIONS INC.**, a corporation existing under the *Business Corporations Act* (British Columbia)

(hereinafter referred to as “**TPS**”)

- and -

**KABN SYSTEMS NORTH AMERICA INC.**, a company existing under the *Business Corporations Act* (Ontario)

(hereinafter referred to as “**KABN**”)

-and -

**2733668 ONTARIO INC.**, a corporation existing under the *Business Corporations Act* (Ontario)

(hereinafter referred to as “**TPS Subco**”)

**WHEREAS** the Parties (as hereinafter defined) have agreed, subject to the satisfaction of certain conditions precedent, to carry out a “three-cornered amalgamation” under the *Business Corporations Act* (Ontario) (the “**OBCA**”) pursuant to which, among other things:

- (i) each KABN Share (as hereinafter defined), other than KABN Shares held by KABN Dissenting Shareholders (as hereinafter defined), will be exchanged for one New TPS Share (as hereinafter defined); and
- (ii) each TPS Subco Share (as hereinafter defined) will be exchanged for one Amalco Share (as hereinafter defined);

**AND WHEREAS** prior to the Effective Date (as hereinafter defined), TPS will complete the Consolidation (as hereinafter defined) and the Name Change (as hereinafter defined);

**AND WHEREAS** the Parties wish to make certain representations, warranties, covenants and agreements in connection with the Business Combination (as hereinafter defined);

**NOW THEREFORE**, in consideration of the mutual benefits to be derived and the representations and warranties, conditions and promises herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) and intending to be legally bound hereby, the Parties agree as follows:

## ARTICLE 1 GENERAL

### 1.1 Defined Terms

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Schedule A and Schedule C.

### 1.2 Business Combination

- (a) KABN and TPS agree to combine their respective businesses and assets by way of a “three-cornered” amalgamation among TPS, TPS Subco and KABN.
- (b) As soon as reasonably practicable following the execution and delivery of this Agreement:
  - (i) TPS shall use commercially reasonable efforts to call and hold the TPS Meeting;
  - (ii) KABN shall use commercially reasonable efforts to call and hold the KABN Meeting; and
  - (iii) TPS shall sign a written consent resolution passing the TPS Subco Amalgamation Resolution.
- (c) Prior to the Effective Time, TPS shall complete the Consolidation and file a Notice of Alteration, in the prescribed form, giving effect to the Name Change, upon and subject to the terms of this Agreement.
- (d) Upon the TPS Subco Amalgamation Resolution being passed by TPS and the KABN Amalgamation Resolution being passed by the KABN Shareholders, in accordance with the requirements of the OBCA, and the filing of the Notice of Alteration set forth in paragraph (c) above, TPS Subco and KABN shall jointly complete and file Articles of Amalgamation with the Director under the OBCA, and execute the Amalgamation Agreement, substantially in the form set forth in Schedule B hereto giving effect to the amalgamation of TPS Subco and KABN upon and subject to the terms of this Agreement.
- (e) Upon the issue of a Certificate of Amalgamation giving effect to the Amalgamation, TPS Subco and KABN shall be amalgamated and shall continue as one corporation effective on the date of the Certificate of Amalgamation (the “**Effective Date**”) under the terms and conditions prescribed in the Amalgamation Agreement.
- (f) At the Effective Time and as a result of the Amalgamation:
  - (i) each KABN Shareholder (other than KABN Dissenting Shareholders who do not exchange their KABN Shares for New TPS Shares on the Amalgamation) shall receive one fully paid and non-assessable New

- TPS Share for each KABN Share held, following which all such KABN Shares shall be cancelled;
- (ii) TPS shall receive one fully paid and non-assessable Amalco Share for each TPS Subco Share held by TPS, following which all such TPS Subco Shares shall be cancelled;
  - (iii) in consideration of the issuance of New TPS Shares pursuant to Section 1.2(f)(i), Amalco shall issue to TPS one Amalco Share for each New TPS Share issued;
  - (iv) TPS shall add to the capital maintained in respect of the New TPS Shares an amount equal to the aggregate paid-up capital for purposes of the ITA of the KABN Shares immediately prior to the Effective Time (less the paid-up capital of any KABN Shares held by dissenting KABN Shareholders who do not exchange their KABN Shares for New TPS Shares on the Amalgamation);
  - (v) Amalco shall add to the capital maintained in respect of the Amalco Shares an amount such that the stated capital of the Amalco Shares shall be equal to the aggregate paid-up capital for purposes of the ITA of the TPS Subco Shares and KABN Shares immediately prior to the Amalgamation;
  - (vi) no fractional New TPS Shares shall be issued to KABN Shareholders and in lieu of any fractional entitlement, the number of New TPS Shares issued to each former KABN Shareholder shall be rounded down to the next lesser whole number of New TPS Shares;
  - (vii) TPS shall be entitled to deduct and withhold from any consideration otherwise payable pursuant to transactions contemplated by this Agreement to any KABN Shareholder such amounts as are required to be deducted and withheld with respect to such payment under the ITA or any provision of provincial, state, local or foreign tax law, in each case as amended; to the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the KABN Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority; and
  - (viii) Amalco will become a wholly-owned subsidiary of TPS.
- (g) At the Effective Time:
- (i) subject to Section 1.2(f)(i), the registered KABN Shareholders shall become the registered holders of the New TPS Shares to which they are entitled, calculated in accordance with the provisions hereof, and the holders of share certificates representing such KABN Shares may surrender such certificates to TPS's registrar and transfer agent and, upon such surrender, shall be entitled to receive and, as soon as

reasonably practicable following the Effective Time shall receive, share certificates representing the number of New TPS Shares to which they are so entitled; and

- (ii) TPS shall become the registered holder of the Amalco Shares to which it is entitled, calculated in accordance with the provisions hereof, and shall be entitled to receive a share certificate representing the number of Amalco Shares to which it is entitled, calculated in accordance with the provisions hereof.
- (h) The Parties acknowledge that certain of the New TPS Shares, New TPS Warrants and New TPS Options to be issued to KABN Shareholders as a result of the Amalgamation may be subject to escrow in accordance with the policies of the CSE and Canadian Securities Laws. The Parties also acknowledge that any New TPS Shares deposited into escrow will be held in escrow and released in accordance with the policies of the CSE and Canadian Securities Laws. The Parties agree that the terms of the escrow will be negotiated by counsel for the Parties with the CSE and the Parties agree to accept the terms imposed by the CSE and Canadian Securities Laws. The escrowed securities will be held in escrow under an escrow agreement in the form prescribed by the CSE and Canadian Securities Laws, as applicable.

### 1.3 Amalco

- (a) **Name.** The name of Amalco shall be KABN Systems North America Inc.
- (b) **Authorized Capital.** Amalco shall be authorized to issue an unlimited number of common shares.
- (c) **Restrictions on Share Transfer.** The right to transfer securities (including for greater clarity Amalco Shares, other than non-convertible debt securities, shall be restricted and no such securities shall be transferred without the consent of either:
  - (i) the directors of Amalco, expressed by a resolution passed by a majority of the board of directors of Amalco at a meeting of directors or by an instrument or instruments in writing signed by all of the directors of Amalco; or
  - (ii) the holder or holders of a majority of the outstanding shares of Amalco entitled to vote expressed by resolution passed at a meeting of the shareholders of Amalco or by an instrument or instruments in writing signed by the holder or holders of a majority of the outstanding shares of Amalco entitled to vote at meetings of shareholders of Amalco.

- (d) **Directors.** The directors of Amalco shall be the Persons below.

Full Name	Position
Houssam Kawtharani	Director
Benjamin Kessler	Director
David Lucatch	Director
J. Patrick Mesina	Director
Ravinder Mlait	Director

- (e) **Restriction on Business.** There shall be no restrictions on the business which Amalco is authorized to carry on.
- (f) **Fractional Shares.** No fractional shares will be issued on the Amalgamation and any entitlement to a fractional share will be rounded down to the next whole share.
- (g) **Financial Year End.** The financial year end of Amalco shall be December 31 in each year.

#### 1.4 Board of Directors and Officers of TPS

Each of the Parties hereby agrees that concurrently with the completion of the Business Combination, except for J. Patrick Mesina and Ravinder Mlait, who will remain as directors, all of the current directors and officers of TPS shall resign without payment by or any liability to TPS, and each such director and officer shall execute and deliver a release in favour of TPS, in a form acceptable to TPS and KABN, each acting reasonably, and the board of directors of TPS shall consist of four or five directors determined by KABN and include the following Persons noted as directors (collectively, the “**New TPS Directors**”) and management of TPS shall be comprised of the following Persons (collectively, the “**New TPS Management**”):

Name	Position
Housam Kawtharani	Director
Benjamin Kessler	Director
David Lucatch	Director
J. Patrick Mesina	Director
Ravinder Mlait	Director

## **ARTICLE 2 DISSENT RIGHTS**

### **2.1 Dissent Rights**

Registered KABN Shareholders may exercise rights of dissent (“**Dissent Rights**”) from the KABN Amalgamation Resolution pursuant to and in the manner set forth under Section 185 OBCA, provided that holders who exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their KABN Shares, which fair value shall be the fair value of such shares as at the close of business on the day prior to the KABN Meeting or the date of the KABN Amalgamation Resolution, shall be paid an amount equal to such fair value by Amalco; and
- (b) are ultimately not entitled, for any reason, to be paid fair value for their KABN Shares shall be deemed to have participated in the Amalgamation, as of the Effective Time, on the same basis as a non-dissenting KABN Shareholder, and shall be entitled to receive only the consideration contemplated in paragraph 1.2(f)(i) hereof that such holder would have received pursuant to the Amalgamation if such holder had not exercised Dissent Rights;

but in no case shall TPS, TPS Subco or KABN or any other Person be required to recognize KABN Shareholders who exercise Dissent Rights after the time that is immediately prior to the Effective Time, and the names of such KABN Shareholders who exercise Dissent Rights shall be deleted from the register of KABN Shareholders at the Effective Time. In no circumstances shall TPS, TPS Subco, KABN or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is a registered KABN Shareholder in respect of which such Dissent Rights are sought to be exercised. A registered KABN Shareholder is not entitled to exercise Dissent Rights with respect to KABN Shares if such holder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder to vote) in favour of the KABN Amalgamation Resolution.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF KABN**

Except as disclosed in the KABN Disclosure Letter, KABN hereby represents and warrants to and in favour of TPS and TPS Subco as follows, and acknowledges that TPS and TPS Subco are relying on such representations and warranties in connection with this Agreement and completing the transactions contemplated herein:

### **3.1 Organization and Good Standing**

- (a) KABN is a corporation duly organized, validly existing, and in good standing under the Laws of the jurisdiction of its incorporation and is qualified to transact business. There are no subsidiaries of KABN.
- (b) KABN has the corporate power and authority to own, lease or operate its properties and to carry on its business as now conducted.

### 3.2 Consents, Authorizations, and Binding Effect

- (a) KABN may execute, deliver and perform this Agreement without the necessity of obtaining any consent, approval, authorization or waiver, or giving any notice or otherwise, except for:
  - (i) the KABN Amalgamation Resolution being passed by the holders of the KABN Shares;
  - (ii) consents, approvals, authorizations and waivers which have been obtained (or will be obtained prior to the Effective Date) and are unconditional, and in full force and effect, and notices which have been given on a timely basis;
  - (iii) the filing of the Articles of Amalgamation under the OBCA; and
  - (iv) those which, if not obtained or made, would not prevent or delay the consummation of the Business Combination or otherwise prevent KABN from performing its obligations under this Agreement and would not be reasonably likely to have a Material Adverse Effect on KABN.
- (b) KABN has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to complete the Amalgamation, subject to the KABN Amalgamation Resolution being passed by the KABN Shareholders.
- (c) The board of directors of KABN has:
  - (i) approved the Business Combination and the execution, delivery and performance of this Agreement; and
  - (ii) directed that the KABN Amalgamation Resolution be submitted to the KABN Shareholders, and recommended it be passed.
- (d) This Agreement has been duly executed and delivered by KABN and constitutes a legal, valid, and binding obligation of KABN, enforceable against it in accordance with its terms, except:
  - (i) as may be limited by bankruptcy, reorganization, insolvency and similar Laws of general application relating to or affecting the enforcement of creditors' rights or the relief of debtors; and
  - (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefor may be brought.
- (e) The execution, delivery, and performance of this Agreement will not:
  - (i) constitute a violation of the articles or by-laws of KABN;



- (ii) conflict with, result in the breach of or constitute a default or give to others a right of termination, cancellation, creation or acceleration of any obligation under or the loss of any material benefit under or the creation of any benefit or right of any third party under any material Contract, material permit or material license to which KABN is a party or as to which any of its property is subject which would in any such case have a Material Adverse Effect on KABN;
  - (iii) constitute a violation of any Law applicable or relating to KABN or its business except for such violations which would not have a Material Adverse Effect on KABN; or
  - (iv) result in the creation of any lien upon any of the assets of KABN other than such liens as would not have a Material Adverse Effect on KABN.
- (f) Neither KABN nor any Affiliate or Associate of KABN nor, to the knowledge of KABN, any director or officer of KABN beneficially owns or has the right to acquire a beneficial interest in any TPS Shares.

### **3.3 Litigation and Compliance**

- (a) There are no actions, suits, claims or proceedings, whether in equity or at Law or, any Governmental investigations pending or, to the knowledge of KABN, threatened:
- (i) against or affecting KABN or with respect to or affecting any asset or property owned, leased or used by KABN; or
  - (ii) which question or challenge the validity of this Agreement, or the Amalgamation or any action taken or to be taken pursuant to this Agreement, or the Amalgamation;
- nor is KABN aware of any basis for any such action, suit, claim, proceeding or investigation, except for actions, suits, claims or proceeding which would not, in the aggregate, have a Material Adverse Effect on KABN.
- (b) KABN has conducted and is conducting its business in compliance with, and is not in default or violation under, and has not received notice asserting the existence of any default or violation under, any Law applicable to its business or operations, except for non-compliance, defaults and violations which would not, in the aggregate, have a Material Adverse Effect on KABN.
- (c) Neither KABN, nor any asset of KABN is subject to any judgment, order or decree entered in any lawsuit or proceeding which has had, or which is reasonably likely to have, a Material Adverse Effect on KABN or which is reasonably likely to prevent KABN from performing its obligations under this Agreement.
- (d) KABN has duly filed or made all reports and returns required to be filed by it with any Government and has obtained all permits, licenses, consents,

approvals, certificates, registrations and authorizations (whether Governmental, regulatory or otherwise) which are required in connection with its business and operations, except where the failure to do so has not had and would not have a Material Adverse Effect on KABN.

- (e) No order ceasing or suspending trading in securities of KABN or prohibiting the sale of securities by KABN has been issued that remains outstanding and, to the knowledge of KABN, no proceedings for this purpose have been instituted, are pending, contemplated or threatened by any securities commission or self-regulatory organization.

### **3.4 Financial Statements**

- (a) The financial statements (including, in each case, any notes thereto) of KABN for the period from incorporation until September 30, 2019 (the “**KABN Financial Statements**”) were prepared in accordance with IFRS applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present in all material respects the assets, liabilities and financial condition of KABN as of the respective dates thereof and the earnings, results of operations and changes in financial position of KABN for the periods then ended. KABN has not, since incorporation, made any change in the accounting practices or policies applied in the preparation of its financial statements.
- (b) KABN maintains a system of internal accounting controls sufficient to provide reasonable assurance that:
  - (i) transactions are executed in accordance with management’s general or specific authorizations;
  - (ii) access to assets is permitted only in accordance with management’s general or specific authorization; and
  - (iii) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
- (c) There are no Contracts with KABN, on the one hand, and:
  - (i) any officer or director of KABN;
  - (ii) any holder of 5% or more of the equity securities of KABN; or
  - (iii) an associate or affiliate of a Person in (i) or (ii), on the other hand.

### **3.5 Taxes**

KABN has timely filed, or has caused to be timely filed on its behalf, all Tax Returns required to be filed by it prior to the date hereof, all such Tax Returns are complete and accurate in all material respects. All Taxes shown to be due on such Tax Returns, or otherwise owed, have been timely paid, other than those which are being contested in good

faith and in respect of which adequate reserves have been provided in the most recently published financial statements of KABN. No deficiency with respect to any Taxes has been proposed, asserted or assessed in writing against KABN, there are no actions, suits, proceedings, investigations or claims pending or threatened against KABN in respect of Taxes or any matters under discussion with any Government relating to Taxes, in each case which are likely to have a Material Adverse Effect on KABN, and no waivers or written requests for waivers of the time to assess any such Taxes are outstanding or pending. KABN has withheld from each payment made to any of their past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes required to be withheld therefrom and have paid the same to the proper tax or receiving officers within the time required under applicable Law. KABN has remitted to the appropriate tax authorities all amounts collected by it in respect of federal goods and services tax and provincial or harmonized sales taxes. There are no liens for Taxes upon any asset of KABN except liens for Taxes not yet due.

### **3.6 Pension and Other Employee Plans and Agreements**

KABN does not maintain or contribute to any Employee Plan.

### **3.7 Labour Relations**

- (a) No employees of KABN are covered by any collective bargaining agreement.
- (b) There are no representation questions, arbitration proceedings, labour strikes, slow-downs or stoppages, material grievances, or other labour troubles pending or, to the knowledge of KABN, threatened with respect to the employees of KABN and to the best of KABN's knowledge, there are no present or pending applications for certification (or the equivalent procedure under any applicable Law) of any union as the bargaining agent for any employees of KABN.

### **3.8 Contracts, Etc.**

- (a) Except for Contracts entered into in the ordinary course of business (including to obtain its intellectual property) or as contemplated herein in connection with the Transaction, KABN is not a party to or bound by any material Contract:
  - (i) relating to capital expenditures or improvements in excess of \$1,000,000 in the aggregate;
  - (ii) by which title to any assets, rights or properties is retained by a third party as security for an obligation;
  - (iii) which will be at the Effective Date secured by a lien upon any assets, rights or properties as security for an obligation;
  - (iv) which contemplates payment on or as a result of a change of control of KABN (whether on termination of such agreement, on occurrence of any other event or circumstance, or after notice or lapse of time or

otherwise), other than consulting agreements entered into in the ordinary course;

- (v) with any director or officer, former director or officer, shareholder or any Person not dealing at arm's length with KABN;
  - (vi) with a bank or other financial institution relating to borrowed money;
  - (vii) relating to the existence, creation, purchase or sale of any bonds, debentures, notes or long-term debts;
  - (viii) relating to outstanding letters of credit or constituting an agreement of guarantee or indemnification of the obligations or liabilities (contingent or otherwise) of any other Person or relating to commitments to purchase the assets of any other Person or to guarantee the price thereof;
  - (ix) relating to the acquisition or disposition of any shares or securities of any entity;
  - (x) relating to the acquisition, disposition or lease of any business operations or real property; or
  - (xi) limiting or restraining KABN from engaging in any activities or competing with any Person.
- (b) KABN and, to the knowledge of KABN, each of the other parties thereto is in material compliance with all covenants under any material Contract and no default has occurred which, with notice or lapse of time or both, would directly or indirectly constitute such a default under any material Contract, except for such non-compliance or default as has not had and will not have a Material Adverse Effect on KABN.
- (c) KABN is not a party or bound by any Contract that provides for any payment as a result of the consummation of any of the matters contemplated by this Agreement.

### **3.9 Absence of Certain Changes, Etc.**

Except for the Pre-RTO Financing, the RTO Financing, the Business Combination and this Agreement, since incorporation:

- (a) there has been no Material Adverse Change to KABN;
- (b) KABN has not:
  - (i) sold, transferred, distributed or otherwise disposed of or acquired a material amount of its assets, or agreed to do any of the foregoing, except in the ordinary course of business;

- (ii) incurred any liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) which has had or is likely to have a Material Adverse Effect on KABN;
  - (iii) made or agreed to make any material capital expenditure or commitment for additions to its tangible or intangible assets in excess of \$1,000,000, except in the ordinary course of business (including to acquire its intellectual property);
  - (iv) conducted its operations other than in the ordinary course of business in all material respects;
  - (v) entered into any material transaction or material Contract, or amended or terminated any material transaction or material Contract, except transactions or Contracts entered into in the ordinary course of business; and
  - (vi) agreed or committed to do any of the foregoing.
- (c) there has not been any declaration, setting aside or payment of any dividend or other distribution with respect to KABN's share capital.

### **3.10 Capitalization**

- (a) As at the date hereof, the authorized capital of KABN consists of an unlimited number of KABN Shares, of which 45,284,030 KABN Shares are issued and outstanding and there are nil KABN Shares issuable upon the exercise of outstanding KABN Options and 6,393,515 KABN Shares issuable upon the conversion, exercise or exchange of other outstanding convertible securities of KABN, including the KABN Warrants.
- (b) All issued and outstanding KABN Shares have been duly authorized and are validly issued, fully paid and non-assessable shares, free of pre-emptive rights.
- (c) Except for the KABN Warrants and agreements with respect to the Pre-RTO Financing and the RTO Financing, there are no authorized, outstanding or existing:
- (i) voting trusts or other agreements or understandings with respect to the voting of any KABN Shares to which KABN is a party;
  - (ii) securities issued by KABN that are convertible into or exchangeable for KABN Shares;
  - (iii) agreements, options, warrants or other rights capable of becoming agreements, options or warrants to purchase or subscribe for any KABN Shares or securities convertible into or exchangeable for any KABN Shares, in each case granted, extended or entered into by KABN;

- (iv) agreements of any kind to which KABN is a party relating to the issuance or sale of any KABN Shares, any securities convertible into or exchangeable or exercisable for KABN Shares or requiring KABN to qualify securities of KABN for distribution by prospectus under Canadian Securities Laws; or
- (v) agreements of any kind which may obligate KABN to issue or purchase any of its securities.

### **3.11 Environmental Matters**

KABN is in compliance, in all material respects, with all applicable Environmental Laws and has not materially violated any then current environmental laws as applied at that time. KABN is not the subject of: (i) any proceeding, application, order or directive which relates to any environmental, health or safety matter; or (ii) any demand or notice with respect to any Environmental Laws. KABN has made adequate reserves for all reclamation obligations and has made appropriate arrangements through obtaining reclamation bonds or otherwise to discharge such reclamation obligations, to the extent applicable. There is no material environmental liability nor factors likely to give rise to any material environmental liability (i) affecting any of the material properties of KABN; or (ii) retained in any manner by KABN in connection with properties disposed of by KABN.

### **3.12 Title**

KABN is the absolute legal and beneficial owner of, and has good and marketable title to, all of its material property or assets (real and personal, tangible and intangible, including leasehold interests).

### **3.13 Indebtedness**

No indebtedness for borrowed money is owing or guaranteed by KABN.

### **3.14 Undisclosed Liabilities**

There are no material liabilities of KABN of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which KABN may become liable on or after the consummation of the transactions contemplated hereby other than:

- (a) liabilities disclosed on or reflected or provided for in the most recent financial statements of KABN; and
- (b) liabilities incurred in the ordinary and usual course of business of KABN and attributable to the period since September 30, 2019, none of which has had or may reasonably be expected to have a Material Adverse Effect on KABN.

### **3.15 Brokers**

Other than in connection with the RTO Financing, neither KABN nor to the knowledge of KABN any of its Associates, Affiliates or Advisers have retained any broker or finder in connection with the Business Combination or the other transactions contemplated

hereby, nor have any of the foregoing incurred any Liability to any broker or finder by reason of any such transaction.

### **3.16 Anti-Bribery Laws**

Neither KABN nor to the knowledge of KABN, any director, officer, employee, consultant, representative or agent of the foregoing, has (i) violated any anti-bribery or anti-corruption laws applicable to KABN, including but not limited to the U.S. Foreign Corrupt Practices Act and Canada's *Corruption of Foreign Public Officials Act*, or (ii) offered, paid, promised to pay, or authorized the payment of any money, or offered, given, promised to give, or authorized the giving of anything of value, that goes beyond what is reasonable and customary and/or of modest value: (X) to any Government Official, whether directly or through any other Person, for the purpose of influencing any act or decision of a Government Official in his or her official capacity; inducing a Government Official to do or omit to do any act in violation of his or her lawful duties; securing any improper advantage; inducing a Government Official to influence or affect any act or decision of any Governmental Authority; or assisting any representative of KABN in obtaining or retaining business for or with, or directing business to, any Person; or (Y) to any Person, in a manner which would constitute or have the purpose or effect of public or commercial bribery, or the acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business or any improper advantage. Neither KABN nor to the knowledge of KABN, any director, officer, employee, consultant, representative or agent of foregoing, has (i) conducted or initiated any review, audit, or internal investigation that concluded KABN or any director, officer, employee, consultant, representative or agent of the foregoing violated such laws or committed any material wrongdoing, or (ii) made a voluntary, directed, or involuntary disclosure to any Governmental Authority responsible for enforcing anti-bribery or anti-corruption Laws, in each case with respect to any alleged act or omission arising under or relating to non-compliance with any such Laws, or received any notice, request, or citation from any Person alleging non-compliance with any such Laws.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF TPS AND TPS SUBCO**

Except as disclosed in the TPS Disclosure Letter, each of TPS and TPS Subco hereby represents and warrants to KABN as follows, and acknowledges that KABN is relying on such representations and warranties in connection with this Agreement and completing the transactions contemplated herein:

### **4.1 Organization and Good Standing**

- (a) Each TPS Group Member is a corporation duly organized, validly existing, and in good standing under the Laws of the jurisdiction of its incorporation and is qualified to transact business. Except for TPS Subco, there are no other subsidiaries of TPS.
- (b) Each TPS Group Member has the corporate power and authority to own, lease, or operate its properties and to carry on its business as now conducted.

## 4.2 Consents, Authorizations, and Binding Effect

- (a) TPS and TPS Subco may execute, deliver and perform this Agreement without the necessity of obtaining any consent, approval, authorization or waiver, or giving any notice or otherwise, except for:
  - (i) the TPS Subco Amalgamation Resolution being passed by TPS as sole shareholder of TPS Subco;
  - (ii) consents, approvals, authorizations and waivers which have been obtained (or will be obtained prior to the Effective Date) and are unconditional and in full force and effect and notices which have been given on a timely basis;
  - (iii) the filing of a Notice of Alteration under the BCBCA and Articles of Amalgamation under the OBCA;
  - (iv) the filing of the documents prescribed under the BCBCA to effect the appointment of the New TPS Directors and the New TPS Management;
  - (v) those which, if not obtained or made, would not prevent or delay the consummation of the Amalgamation or otherwise prevent TPS from performing its obligations under this Agreement and would not be reasonably likely to have a Material Adverse Effect on the TPS Group; and
  - (vi) receipt of conditional and final approval from the CSE for the Listing.
- (b) Each of TPS and TPS Subco has full corporate power and authority to execute and deliver this Agreement and to perform its respective obligations hereunder and to complete the Amalgamation, subject to the TPS Subco Amalgamation Resolution being passed by TPS and receipt of conditional and final approval from the CSE for the Listing.
- (c) The board of directors of TPS has:
  - (i) approved the Business Combination and the execution, delivery and performance of this Agreement;
  - (ii) directed that the TPS Fundamental Change Resolution be submitted to the TPS Shareholders and recommended approval thereof; and
  - (iii) approved the execution and delivery of the TPS Subco Amalgamation Resolution by TPS.
- (d) The board of directors of TPS Subco has unanimously approved the Amalgamation and the execution, delivery and performance of this Agreement.



- (e) This Agreement has been duly executed and delivered by TPS and TPS Subco and constitutes a legal, valid, and binding obligation of TPS and TPS Subco enforceable against each of them in accordance with its terms, except:
  - (i) as may be limited by bankruptcy, reorganization, insolvency and similar Laws of general application relating to or affecting the enforcement of creditors' rights or the relief of debtors; and
  - (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefor may be brought.
- (f) The execution, delivery, and performance of this Agreement will not:
  - (i) constitute a violation of the articles or notice of articles of TPS or articles or by-laws of TPS Subco;
  - (ii) conflict with, result in the breach of or constitute a default or give to others a right of termination, cancellation, creation or acceleration of any obligation under, or the loss of any material benefit under or the creation of any benefit or right of any third party under any material Contract, material permit or material license to which any TPS Group Member is a party or as to which any of its property is subject which would in any such case have a Material Adverse Effect on the TPS Group;
  - (iii) constitute a violation of any Law applicable or relating to any TPS Group Member or their respective businesses except for such violations which would not have a Material Adverse Effect on any TPS Group Member; or
  - (iv) result in the creation of any lien upon any of the assets of any TPS Group Member, other than such liens as would not have a Material Adverse Effect on the TPS Group.
- (g) No TPS Group Member or any Affiliate or Associate of any TPS Group Member, nor to the knowledge of TPS, any director or officer of any TPS Group Member, beneficially owns or has the right to acquire a beneficial interest in any KABN Shares.

#### **4.3 Litigation and Compliance**

- (a) There are no actions, suits, claims or proceedings, whether in equity or at law, or any Governmental investigations pending or, to the knowledge of TPS, threatened:
  - (i) against or affecting any TPS Group Member or with respect to or affecting any asset or property owned, leased or used by any TPS Group Member; or

- (ii) which question or challenge the validity of this Agreement or the Amalgamation or any action taken or to be taken pursuant to this Agreement or the Amalgamation;

nor is TPS aware of any basis for any such action, suit, claim, proceeding or investigation, except for actions, suits, claims or proceeding which would not, in the aggregate, have a Material Adverse Effect on TPS.

- (b) Each TPS Group Member has conducted and is conducting its business in compliance with, and is not in default or violation under, and has not received notice asserting the existence of any default or violation under, any Law applicable to the businesses or operations of the TPS Group, except for non-compliance, defaults, and violations which would not, in the aggregate, have a Material Adverse Effect on the TPS Group.
- (c) No TPS Group Member, and no asset of any TPS Group Member, is subject to any judgment, order or decree entered in any lawsuit or proceeding which has had, or which is reasonably likely to have, a Material Adverse Effect on the TPS Group or which is reasonably likely to prevent TPS or TPS Subco from performing its respective obligations under this Agreement.
- (d) Each TPS Group Member has duly filed or made all reports and returns required to be filed by it with any Government and has obtained all permits, licenses, consents, approvals, certificates, registrations and authorizations (whether Governmental, regulatory or otherwise) which are required in connection with its business and operations, except where the failure to do so has not had and would not have a Material Adverse Effect on the TPS Group.

#### 4.4 Public Filings; Financial Statements

- (a) TPS has filed all documents required pursuant to applicable Canadian Securities Laws (the “**TPS Securities Documents**”). As of their respective dates, the TPS Securities Documents complied in all material respects with the then applicable requirements of the Canadian Securities Laws and, at the respective times they were filed, none of the TPS Securities Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make any statement therein, in light of the circumstances under which it was made, not misleading. TPS has not filed any confidential reports which have not at the date hereof become public knowledge.
- (b) The consolidated financial statements (including, in each case, any notes thereto) of TPS for the year ended December 31, 2018 and for the three and nine month periods ended September 30, 2019, included in the TPS Securities Documents were prepared in accordance with IFRS applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present in all material respects the consolidated assets, liabilities and financial condition of TPS and its consolidated subsidiaries as of the respective dates thereof and the consolidated earnings, results of operations and changes in financial position

of TPS and its consolidated subsidiaries for the periods then ended (subject, in the case of unaudited statements, to the absence of footnote disclosure and to customary year-end audit adjustments and to any other adjustments described therein). Except as disclosed in the TPS Securities Documents, TPS has not, since January 1, 2019, made any change in the accounting practices or policies applied in the preparation of its financial statements.

- (c) TPS is now, and on the Effective Date will be, a “reporting issuer” (or its equivalent) under Canadian Securities Laws of each of the Provinces of Ontario, Alberta, Manitoba and British Columbia. TPS is not currently in default in any material respect of any requirement of Canadian Securities Laws and TPS is not included on a list of defaulting reporting issuers maintained by any of the securities commissions or similar regulatory authorities in each of such Provinces.
- (d) There has not been any reportable event (within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators) since January 1, 2019, with the present or former auditors of the TPS Group.
- (e) No order ceasing or suspending trading in securities of any TPS Group Member or prohibiting the sale of securities by any TPS Group Member has been issued that remains outstanding and, to the knowledge of TPS, no proceedings for this purpose have been instituted, are pending, contemplated or threatened by any securities commission, self-regulatory organization or the CSE.
- (f) TPS maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iii) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
- (g) Other as disclosed in the TPS Disclosure Letter, there are no contracts with TPS, on the one hand, and:
  - (i) any officer or director of the TPS Group;
  - (ii) any holder of 5% or more of the equity securities of TPS; or
  - (iii) an associate or affiliate of a Person in (i) or (ii), on the other hand.

#### **4.5 Taxes**

Each TPS Group Member has timely filed, or has caused to be timely filed on its behalf, all Tax Returns required to be filed by it prior to the date hereof, all such Tax Returns are complete and accurate in all material respects. All Taxes shown to be due on such Tax Returns, or otherwise owed, have been timely paid, other than those which are being contested in good faith and in respect of which adequate reserves have been provided in

the most recently published financial statements of TPS. TPS's most recent audited consolidated financial statements reflect a reserve in accordance with IFRS for all Taxes payable by the TPS Group Members for all taxable periods and portions thereof through the date of such financial statements. No deficiency with respect to any Taxes has been proposed, asserted or assessed in writing against any TPS Group Member, there are no actions, suits, proceedings, investigations or claims pending or threatened against any TPS Group Member in respect of Taxes or any matters under discussion with any Government relating to Taxes, in each case which are likely to have a Material Adverse Effect on the TPS Group, and no waivers or written requests for waivers of the time to assess any such Taxes are outstanding or pending. Each TPS Group Member has withheld from each payment made to any of their past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes required to be withheld therefrom and have paid the same to the proper tax or receiving officers within the time required under applicable Law. Each TPS Group Member has remitted to the appropriate tax authorities all amounts collected by it in respect of federal goods and services tax and provincial or harmonized sales taxes. There are no liens for Taxes upon any asset of the TPS Group except liens for Taxes not yet due.

#### **4.6 Pension and Other Employee Plans and Agreement**

Other than the TPS Stock Option Plan, TPS does not maintain or contribute to any Employee Plan. The TPS Stock Option Plan was adopted by TPS in accordance with the requirements of the CSE and National Instrument 45-106 *Prospectus Exemptions*, and complies with the applicable policies of the CSE.

#### **4.7 Labour Relations**

- (a) No employees of any TPS Group Member are covered by any collective bargaining agreement.
- (b) There are no representation questions, arbitration proceedings, labour strikes, slow-downs or stoppages, material grievances, or other labour troubles pending or, to the knowledge of TPS, threatened with respect to the employees of any TPS Group Member and, to the best of TPS's knowledge, there are no present or pending applications for certification (or the equivalent procedure under any applicable Law) of any union as the bargaining agent for any employees of any TPS Group Member.

#### **4.8 Contracts, Etc.**

- (a) Except for Contracts entered into in the ordinary course of business, or as contemplated herein in connection with the Transaction, or which have been filed on SEDAR, and other than as disclosed in the TPS Disclosure Letter, no TPS Group Member is a party to or bound by any material Contract:
  - (i) relating to capital expenditures or improvements in excess of \$100,000 in the aggregate;
  - (ii) by which title to any assets, rights or properties is retained by a third party as security for an obligation;

- (iii) which will be at the Effective Date secured by a lien upon any assets, rights or properties as security for an obligation;
  - (iv) relating to the employment of any employees or the rights of employees upon severance or termination;
  - (v) relating to management, consulting or any other similar type of Contract which involves an amount exceeding \$100,000 per annum, excluding those which may be terminated without Penalty on 90 days' notice or less;
  - (vi) which contemplates payment on or as a result of a change of control of any TPS Group Member (whether on termination of such agreement, on occurrence of any other event or circumstance, or after notice or lapse of time or otherwise);
  - (vii) with any director or officer, former director or officer, shareholder or any Person not dealing at arm's length with TPS or TPS Group Member;
  - (viii) with a bank or other financial institution relating to borrowed money;
  - (ix) relating to the existence, creation, purchase or sale of any bonds, debentures, notes or long-term debts;
  - (x) relating to outstanding letters of credit or constituting an agreement of guarantee or indemnification of the obligations or liabilities (contingent or otherwise) of any other Person or relating to commitments to purchase the assets of any other Person or to guarantee the price thereof;
  - (xi) relating to the acquisition or disposition of any shares or securities of any entity;
  - (xii) relating to the acquisition, disposition or lease of any business operations or real property;
  - (xiii) limiting or restraining any TPS Group Member from engaging in any activities or competing with any Person;
  - (xiv) which involves the use of a derivative, including any forward contracts or options; or
  - (xv) relating to the existence or creation of any *bona fide* offer of an opportunity (including a joint venture opportunity) to any Person.
- (b) Each TPS Group Member and, to the knowledge of TPS, each of the other parties thereto is in material compliance with all covenants under any material Contract and no default has occurred which, with notice or lapse of time or both, would directly or indirectly constitute such a default under any

material Contract, except for such non-compliance or default as has not had and will not have a Material Adverse Effect on the TPS Group.

- (c) No TPS Group Member is a party to or bound by any Contract that provides for any payment as a result of the consummation of any of the matters contemplated by this Agreement.

#### **4.9 Absence of Certain Changes, Etc.**

Except as contemplated by the Business Combination and this Agreement and other than as disclosed in the TPS Disclosure Letter, since January 1, 2019:

- (a) there has been no Material Adverse Change in the TPS Group;
- (b) no TPS Group Member has:
  - (i) sold, transferred, distributed, or otherwise disposed of or acquired a material amount of its assets, or agreed to do any of the foregoing, except in the ordinary course of business;
  - (ii) incurred any liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) which has had or is likely to have a Material Adverse Effect on the TPS Group;
  - (iii) made or agreed to make any material capital expenditure or commitment for additions to property, plant, or equipment in excess of \$50,000;
  - (iv) made or agreed to make any material increase in the compensation payable to any employee or director except for increases made in the ordinary course of business and consistent with presently existing policies or agreement or past practice;
  - (v) conducted its operations other than in all material respects in the ordinary course of business;
  - (vi) entered into any material transaction or material Contract, or amended or terminated any material transaction or material Contract, except transactions or Contracts entered into in the ordinary course of business; and
  - (vii) agreed or committed to do any of the foregoing; and
- (c) there has not been any declaration, setting aside or payment of any dividend or other distribution with respect to TPS's share capital.

#### **4.10 Capitalization**

- (a) As at the date hereof, the authorized capital of TPS consists of an unlimited number of TPS Shares, of which 59,722,988 TPS Shares are issued and outstanding (prior to giving effect to the Consolidation), 3,300,000 TPS

Shares issuable upon the exercise of outstanding TPS Options, and 11,263,838 TPS Shares issuable upon the exercise of outstanding TPS Warrants, in each case prior to giving effect to the Consolidation.

- (b) All issued and outstanding TPS Shares have been duly authorized and are validly issued, fully paid and non-assessable shares, free of pre-emptive rights.
- (c) Other than the TPS Options and TPS Warrants, there are no authorized, outstanding or existing:
  - (i) voting trusts or other agreements or understandings with respect to the voting of any TPS Shares to which any TPS Group Member is a party;
  - (ii) securities issued by any TPS Group Member that are convertible into or exchangeable for TPS Shares;
  - (iii) agreements, options, warrants, or other rights capable of becoming agreements, options or warrants to purchase or subscribe for any TPS Shares or securities convertible into or exchangeable or exercisable for any such common shares, in each case granted, extended or entered into by any TPS Group Member;
  - (iv) agreements of any kind to which any TPS Group Member is a party relating to the issuance or sale of any TPS Shares, or any securities convertible into or exchangeable or exercisable for TPS Shares or requiring TPS to qualify securities of any TPS Group Member for distribution by prospectus under Canadian Securities Laws; or
  - (v) agreements of any kind which may obligate TPS to issue or purchase any of its securities.

#### **4.11 Environmental Matters**

Each TPS Group Member is in compliance, in all material respects, with all applicable Environmental Laws and has not materially violated any then current environmental laws as applied at that time. No TPS Group Member is the subject of: (i) any proceeding, application, order or directive which relates to any environmental, health or safety matter; or (ii) any demand or notice with respect to any Environmental Laws. Each TPS Group Member has made adequate reserves for all reclamation obligations and has made appropriate arrangements, through obtaining reclamation bonds or otherwise to discharge such reclamation obligations, to the extent applicable. There is no material environmental liability nor factors likely to give rise to any material environmental liability (i) affecting any of the material properties of any TPS Group Member; or (ii) retained in any manner by any TPS Group Member in connection with properties disposed of by any TPS Group Member.

#### **4.12 Title**

TPS is the absolute legal and beneficial owner of, and has good and marketable title to, all of its material property or assets (real and personal, tangible and intangible, including leasehold interests).

#### **4.13 Indebtedness**

No indebtedness for borrowed money is owing or guaranteed by any TPS Group Member.

#### **4.14 Undisclosed Liabilities**

There are no material liabilities of the TPS Group of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which any TPS Group Member may become liable on or after the consummation of the transactions contemplated hereby other than:

- (a) liabilities disclosed on or reflected or provided for in the most recent financial statements of TPS included in the TPS Securities Documents; and
- (b) liabilities incurred in the ordinary and usual course of business of the TPS Group and attributable to the period since January 1, 2019, none of which has had or may reasonably be expected to have a Material Adverse Effect on the TPS Group,

and which, as at the date of this Agreement, total approximately \$21,863.

#### **4.15 Brokers**

No TPS Group Member or, to the knowledge of TPS, any of their respective Associates, Affiliates or Advisers have retained any broker or finder in connection with the Business Combination or the other transactions contemplated hereby, nor have any of the foregoing incurred any Liability to any broker or finder by reason of any such transaction.

#### **4.16 Anti-Bribery Laws**

Neither TPS nor TPS Subco nor to the knowledge of TPS, any director, officer, employee, consultant, representative or agent of the foregoing, has (i) violated any anti-bribery or anti-corruption laws applicable to TPS or TPS Subco, including but not limited to the U.S. Foreign Corrupt Practices Act and Canada's *Corruption of Foreign Public Officials Act*, or (ii) offered, paid, promised to pay, or authorized the payment of any money, or offered, given, promised to give, or authorized the giving of anything of value, that goes beyond what is reasonable and customary and/or of modest value: (X) to any Government Official, whether directly or through any other Person, for the purpose of influencing any act or decision of a Government Official in his or her official capacity; inducing a Government Official to do or omit to do any act in violation of his or her lawful duties; securing any improper advantage; inducing a Government Official to influence or affect any act or decision of any Governmental Authority; or assisting any representative of TPS or TPS Subco in obtaining or retaining business for or with, or directing business to, any Person; or (Y) to any Person, in a manner which would constitute or have the purpose or effect of public



or commercial bribery, or the acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business or any improper advantage. Neither TPS nor TPS Subco nor to the knowledge of TPS, any director, officer, employee, consultant, representative or agent of foregoing, has (i) conducted or initiated any review, audit, or internal investigation that concluded TPS or TPS Subco or any director, officer, employee, consultant, representative or agent of the foregoing violated such laws or committed any material wrongdoing, or (ii) made a voluntary, directed, or involuntary disclosure to any Governmental Authority responsible for enforcing anti-bribery or anti-corruption Laws, in each case with respect to any alleged act or omission arising under or relating to non-compliance with any such Laws, or received any notice, request, or citation from any Person alleging non-compliance with any such Laws.

## **ARTICLE 5 COVENANTS OF KABN**

From and after the date hereof and until the Effective Date (except as hereinafter otherwise provided), unless TPS shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed:

### **5.1 Access**

KABN shall permit:

- (a) TPS and its Advisers to have reasonable access at reasonable times to all properties, books, accounts, records, Contracts, files, correspondence, tax records, and documents of or relating to KABN including auditor's working papers and management letters and to discuss such matters with the executive officers of KABN; and
- (b) TPS to conduct, or cause its agents to conduct, such reasonable reviews, inspections, surveys, tests, and investigations of the assets of KABN as they deem necessary or advisable, provided such reviews are conducted at reasonable times and in a reasonable manner.

### **5.2 Ordinary Course**

KABN shall conduct business in a prudent and business-like manner and, except for transactions contemplated hereby, only in the ordinary course consistent with past practice, provided that, without the prior written consent of TPS, KABN shall not:

- (a) except as contemplated by the Business Combination and this Agreement, merge into, or with, or consolidate with any other Person, or acquire the business or assets of any Person;
- (b) amend its articles or by-laws;
- (c) subdivide, split, combine, consolidate, or reclassify any of its outstanding share capital; or
- (d) make any payments to any of its directors, officers, employees, consultants or shareholders or any affiliate of the foregoing, other than the payment of

salaries, bonuses, director fees, expense reimbursements or consulting fees or obligations under agreements (including future agreements entered into by KABN or a subsidiary in the ordinary course of developing and operating its business).

### **5.3 Closing Conditions**

KABN shall use all commercially reasonable efforts to cause all of the conditions to the obligations of TPS and TPS Subco under this Agreement to be satisfied on or prior to the Effective Date (to the extent the satisfaction of such conditions is within the control of KABN).

### **5.4 Listing Statement**

KABN shall prepare the Listing Statement and KABN prepare as promptly as possible any other documents required by applicable Law in connection with all shareholder and regulatory approvals required in respect of the Business Combination and the other matters contemplated hereby, including but not limited to the extent applicable, the disclosure regarding KABN (including financial statements) prescribed under applicable Canadian Securities Laws and described in the form of prospectus that KABN would be eligible to use, for inclusion in the Listing Statement.

### **5.5 Stock Exchange Listing**

KABN shall use all commercially reasonable best efforts to obtain the approval of the CSE to the Listing. KABN shall furnish to TPS and its legal counsel for review and comment, a reasonable amount of time prior to the time of filing of any document with the CSE, a copy of each document to be filed with the CSE, including, without limitation, the Listing Statement.

## **ARTICLE 6 COVENANTS OF TPS**

From and after the date hereof and until the Effective Date (except as hereinafter otherwise provided), unless KABN shall otherwise consent in writing, which consent shall not be unreasonably withheld, delayed or conditioned:

### **6.1 Access**

TPS shall permit, and shall cause each TPS Group Member to permit:

- (a) KABN and its Advisers to have reasonable access at reasonable times to all properties books, accounts, records, Contracts, files, correspondence, tax records, and documents of or relating to the TPS Group including auditor's working papers and management letters and to discuss such matters with the executive officers of the TPS Group and TPS shall make available to KABN and its Advisers a copy of each report or other document filed pursuant to Canadian Securities Laws and all other information concerning its

business and properties in its possession or under its control as KABN may reasonably request; and

- (b) KABN to conduct, or cause its agents to conduct, such reasonable reviews, inspections, surveys, tests, and investigations of the assets of the TPS Group as they deem necessary or advisable provided such reviews are conducted at reasonable times and in a reasonable manner.

## 6.2 Ordinary Course

Each TPS Group Member shall conduct business in a prudent and business-like manner and, except for transactions contemplated hereby, only in the ordinary course consistent with past practice, provided that, without the prior written consent of KABN, each of TPS and TPS Subco shall not, and shall cause each TPS Group Member not to:

- (a) enter into any transaction or Contract, except as contemplated herein;
- (b) conduct any business, other than in connection with the completion of the Business Combination and the entering into of this Agreement;
- (c) issue, or agree to issue, any shares, rights, options, or other entitlements relating thereto, except with respect to convertible securities issued, and instruments and agreements existing, as of the date hereof;
- (d) repurchase, redeem or otherwise acquire any of its shares, or otherwise amend the its authorized share capital;
- (e) incur or commit to incur any expenses except as reasonably necessary to complete the Business Combination and to comply with its obligations as a reporting issuer;
- (f) incur, assume, or otherwise become liable for any debts or liabilities other than as provided in a budget approved by KABN for the period from November 21, 2019 until the completion of the Business Combination, which shall include expenses related to the Business Combination (the “**Budget**”);
- (g) merge into, or with, or consolidate with any other Person, or acquire the business or assets of any Person;
- (h) make any change in its constating documents;
- (i) make any payments to any of its directors, officers, employees, consultants or shareholders or any affiliate of the foregoing, other than the payment of salaries, bonuses, director fees, expense reimbursements or consulting fees or obligations under existing agreements;
- (j) incur, guarantee, assume or modify any indebtedness for borrowed money;
- (k) guarantee or assume the liabilities of any Person;

- (l) acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity or material assets;
- (m) except as required by IFRS or any other generally accepted accounting principles to which any TPS Group Member may be subject, or any applicable Law, make any changes to the existing accounting practices of TPS or make any material tax election inconsistent with past practice;
- (n) declare, set aside or pay any dividend or make any other distribution payable in cash, shares, stock, securities or property with respect to any of its share capital; or
- (o) repurchase, redeem, or otherwise acquire, directly or indirectly, any of its share capital or any securities convertible or exchangeable into or exercisable for any of its shares.

### **6.3 Insurance**

TPS shall ensure that all property, real and personal, owned or leased by any TPS Group Member continues to be insured substantially in the manner and to the extent they are currently insured.

### **6.4 Consolidation and Name Change**

Prior to the Effective Time, TPS shall complete the Consolidation and complete and file a Notice of Alteration in accordance with the requirements of the BCBCA giving effect to the Consolidation and, the Name Change.

### **6.5 Closing Conditions**

TPS shall use all commercially reasonable efforts to cause all of the conditions to the obligations of KABN under this Agreement to be satisfied on or prior to the Effective Date (to the extent the satisfaction of such conditions is within the control of the TPS Group).

### **6.6 Fundamental Changes**

TPS shall use all commercially reasonable best efforts to obtain the approval of the CSE to the fundamental change involved in the Business Combination. TPS shall furnish to KABN and its legal counsel for review and comment, a reasonable amount of time prior to the time of filing of any document with the CSE, a copy of each document to be filed with the CSE. TPS shall use all commercially reasonable efforts to assist KABN in connection with the preparation of the Listing Statement.

### **6.7 TPS Subco**

TPS, as sole shareholder of TPS Subco, shall execute and deliver a written consent resolution passing the TPS Subco Amalgamation Resolution to approve the Amalgamation.

## **6.8 Directors and Management**

Upon the change of directors and officers of TPS and TPS Subco as described in Section 1.4, TPS shall complete and file, or cause to be completed and filed, such documents prescribed under the BCBCA to give effect to such change of directors and officers of TPS and the appointment of the New TPS Directors and the New TPS Management.

## **ARTICLE 7 OTHER COVENANTS OF THE PARTIES**

### **7.1 Amalgamation**

On or before the Effective Date, TPS and KABN shall use commercially reasonable efforts to take all necessary steps to amalgamate KABN and TPS Subco.

### **7.2 Consents and Notices**

Promptly after the date hereof and, if necessary, for a reasonable time after the Effective Date:

- (a) The Parties shall use all commercially reasonable efforts, and shall cooperate with each other to obtain, all consents, waivers, approvals, and authorizations, in addition to those set forth in clause (b) below which may be necessary to effect the Business Combination including, without limitation, obtaining those consents, waivers, approvals, and authorizations described in Section 3.2 hereof and Section 4.2 hereof and shall provide copies of such documents to the other Party.
- (b) Each of KABN, TPS and TPS Subco will promptly execute and file, or join in the execution and filing of, any application or other document that may be necessary in order to obtain the authorization, approval or consent of any Governmental Authority which may be reasonably required, or which any other Party may reasonably request in connection with the consummation of the transactions contemplated by this Agreement and shall provide copies of such documents to the other Party. Each of KABN, TPS and TPS Subco will use all commercially reasonable efforts to obtain promptly all such authorizations, approvals and consents.

### **7.3 Circulars and Listing Statement**

- (a) Each of KABN and TPS shall use all commercially reasonable efforts to prepare, as promptly as practicable after the date of this Agreement, the KABN Circular and the TPS Circular, respectively, together with any other documents required under Canadian Securities Laws, the policies of the CSE and applicable corporate laws in connection with the TPS Meeting, and the KABN Meeting and each of TPS and KABN shall co-operate with each other in preparation and of their respective circulars and in connection therewith provide the other Party with such information and material concerning its affairs as such other Party shall reasonably request, unless such cooperation

and efforts would subject such Party to unreasonable cost or liability or would be in breach of statutory or regulatory requirements applicable to such Party.

- (b) As soon as practicable after the date hereof, TPS shall call the TPS Meeting and hold the TPS Meeting as soon as practicable thereafter and mail the TPS Circular and all other documentation required in connection with the TPS Meeting to each TPS Shareholder and shall hold the TPS Meeting at the earliest practicable date following the mailing the TPS Circular. The TPS Circular shall include, *inter alia*, the recommendation of the board of directors of TPS that its shareholders vote in favour of the TPS Fundamental Change Resolution.
- (c) As soon as practicable, KABN shall file a draft of the Listing Statement with the CSE and mail the KABN Circular and all other documentation required in connection with the KABN Meeting to its shareholders and shall hold the KABN Meeting at the earliest practicable date following the mailing the KABN Circular. The KABN Circular shall include, *inter alia*, the unanimous recommendation of the board of directors of KABN that its shareholders vote in favour of the KABN Amalgamation Resolution.
- (d) KABN covenants that none of the information regarding KABN to be supplied by KABN that is required to be included or incorporated by reference in the TPS Circular or the Listing Statement, as the case may be, will as of the date of such document contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If at any time prior to the Effective Time any event with respect to KABN or its officers and directors shall occur that is required to be described in the TPS Circular or the Listing Statement, as the case may be, KABN shall give prompt notice to TPS of such event and shall cooperate in the preparation of a supplement or amendment to the TPS Circular or the Listing Statement, as the case may be, if such supplement or amendment, as applicable, is required, unless such cooperation and efforts would subject KABN to unreasonable cost or liability or would be in breach of applicable statutory or regulatory requirements.
- (e) TPS covenants that none of the information regarding TPS and TPS Subco to be supplied by TPS that is included or incorporated by reference in the KABN Circular or the Listing Statement, as the case may be, will as of the date of such document contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If at any time prior to the Effective Time any event with respect to TPS, its officers and directors or any TPS Group Member shall occur that is required to be described in the TPS Circular, Listing Statement or KABN Circular, as the case may be, TPS shall give prompt notice to KABN of such event and shall cooperate in the preparation of a supplement or amendment to the TPS Circular, Listing Statement or KABN Circular, as the case may be, if such supplement or amendment, as applicable, is required, unless such cooperation and efforts would subject

TPS to unreasonable cost or liability or would be in breach of applicable statutory or regulatory requirements.

#### **7.4 Defense of Proceedings**

TPS and TPS Subco, on the one hand, and KABN, on the other hand, shall vigorously defend, or shall cause to be vigorously defended, any lawsuits or other legal proceedings brought against TPS, KABN or any TPS Group Member, or their respective officers, directors or shareholders, challenging this Agreement or the completion of the Business Combination, and the Parties shall cooperate with each other in all respects in such defense. Neither TPS, TPS Subco nor KABN shall compromise or settle any claim brought in connection with the Business Combination, without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed.

#### **7.5 Press Releases**

- (a) TPS shall not make any public statement or issue a press release without the prior written consent of KABN, such consent not to be unreasonably withheld.
- (b) KABN shall not make any public statement or issue a press release with respect to the Business Combination without the prior written consent of TPS, such consent not to be unreasonably withheld.
- (c) The Parties shall, in advance, provide a copy of any public statement or press release which they propose to make and for which the other Party must provide its consent hereunder.

#### **7.6 Non-Solicitation**

- (a) From and after the date hereof until the termination of this Agreement, none of KABN nor any of its officers, directors, employees (other than to the extent required by Law), agents or Affiliates (and their officers, directors or employees) shall, directly or indirectly, (i) solicit, encourage or conduct discussions with or engage in negotiations with any Person, other than TPS, relating to the possible acquisition of KABN or any of its Affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, (ii) provide information with respect to KABN or any of its Affiliates to any Person, other than the Parties, relating to the possible acquisition of KABN (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, (iii) enter into an agreement with any Person, other than the Parties, providing for the acquisition of such Party or any of its affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, or (iv) make or authorize any statement, recommendation or solicitation in support of any possible acquisition of such Party (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets by any Person, other than by the Parties. In addition to the foregoing, if KABN or any of its officers, directors, agents, or Affiliates receives any unsolicited offer or proposal to enter negotiations relating to any of the above, KABN shall immediately notify TPS thereof, including

information as to the identity of the offeror or the party making any such offer or proposal and the specific terms of such offer or proposal, as the case may be. Notwithstanding the foregoing, this Section 7.6(a) does not restrict, limit or prohibit the board of directors of KABN from exercising its fiduciary duties under applicable Law where in the good faith judgment of the board of directors of KABN, after consultation with outside legal counsel, failure to take such action would be inconsistent with the exercise of its fiduciary duties. For greater clarity, such fiduciary duty shall not relieve KABN of its obligations under this Agreement or limit the remedies (including specific performance and injunctive relief) available to TPS or TPS Subco, as applicable.

- (b) From and after the date hereof until the termination of this Agreement, none of TPS nor any of its officers, directors, employees (other than to the extent required by Law), agents or Affiliates (and their officers, directors or employees) shall, directly or indirectly, (i) solicit, encourage or conduct discussions with or engage in negotiations with any Person, other than KABN, relating to the possible acquisition of TPS or any of its Affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, (ii) provide information with respect to TPS or any of its Affiliates to any Person, other than the Parties, relating to the possible acquisition of TPS or any of its Affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, (iii) enter into an agreement with any Person, other than the Parties, providing for the acquisition of such Party or any of its affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, or (iv) make or authorize any statement, recommendation or solicitation in support of any possible acquisition of such Party or any of its affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets by any Person, other than by the Parties. In addition to the foregoing, if TPS or any of its officers, directors, agents, or Affiliates receives any unsolicited offer or proposal to enter negotiations relating to any of the above, TPS shall immediately notify KABN thereof, including information as to the identity of the offeror or the party making any such offer or proposal and the specific terms of such offer or proposal, as the case may be. Notwithstanding the foregoing, this Section 7.6(b) does not restrict, limit or prohibit the board of directors of TPS from exercising its fiduciary duties under applicable Law where in the good faith judgment of the board of directors of TPS, after consultation with outside legal counsel, failure to take such action would be inconsistent with the exercise of its fiduciary duties. For greater clarity, such fiduciary duty shall not relieve TPS of its obligations under this Agreement or limit the remedies (including specific performance and injunctive relief) available to KABN.

## **7.7 Refrain from Certain Actions**

No Party shall take any action, refrain from taking any action (subject to commercially reasonable efforts) or permit any action to be taken or not taken, inconsistent with the provisions of this Agreement or which would or could reasonably be expected to materially



impede the completion of the transactions contemplated hereby or which would or could reasonably be expected to have a Material Adverse Effect on such Party.

## **7.8 Indemnity**

Each Party shall indemnify and hold harmless the other Parties hereto (and such other Parties' respective directors, officers and Advisers) (collectively, the "**Non-Offending Persons**") from and against all claims, damages, liabilities, actions or demands to which the Non-Offending Persons may become subject insofar as such claims, damages, liabilities, actions or demands arise out of or are based upon the information supplied by a Party (other than the Non-Offending Persons) and contained in a circular having contained a misrepresentation. Each Party hereto shall obtain and hold the rights and benefits of this Section 7.8 in trust for and on behalf of such Party's directors, officers and Advisers.

## **7.9 Exemptions from Registration Requirements of U.S. Securities Laws**

The Parties hereto intend for the issuances and exchanges of shares contemplated hereby to be exempt from the registration requirements of any applicable United States federal and state securities laws and, accordingly, each agrees to take such further commercially reasonable actions (including the execution and delivery of such further instruments and documents) as any other Party may reasonably request with regards to ensuring the availability of and maintaining such exemptions. The New TPS Shares to be issued to the KABN Shareholders outside the United States will be issued in "offshore transactions" (as such term is defined in Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, and the New TPS Shares to be issued to the KABN Shareholders in the United States will be issued to Accredited Investors in reliance on Rule 506(b) of Regulation D under the U.S. Securities Act. Each KABN Shareholder that is in the United States will be required to sign and deliver a certificate in the form attached hereto as Schedule C in order to make the necessary representations and warranties to confirm the availability of this exemption from registration under the U.S. Securities Act prior to receipt of the New TPS Shares. Each KABN Shareholder that does not sign and deliver such certificate will be deemed to be representing and warranting that such KABN Shareholder is not in the United States. The New TPS Shares to be issued to the KABN Shareholders in the United States in connection with the Amalgamation will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Each certificate representing such New TPS Shares issued to holders in the United States will bear a legend in substantially the form that follows:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR UNDER ANY STATE SECURITIES LAWS AND ARE "RESTRICTED SECURITIES" AS THAT TERM IS DEFINED IN RULE 144 UNDER THE U.S. SECURITIES ACT. THE HOLDER HEREOF, BY ACQUIRING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE ISSUER; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS; (C) IN COMPLIANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; (D) IN A TRANSACTION THAT

DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND, IN THE CASE OF PARAGRAPH (C) OR (D), THE SELLER FURNISHES TO THE ISSUER AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO SUCH EFFECT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”

## **ARTICLE 8 CONDITIONS TO OBLIGATIONS OF TPS**

### **8.1 Conditions Precedent in Favour of TPS to Completion of the Business Combination**

The obligation of TPS and TPS Subco to complete the Business Combination is subject to the satisfaction of the following conditions on or prior to the Effective Date, each of which may be waived by TPS and TPS Subco:

- (a) The representations and warranties of KABN set forth in Article 3 qualified as to materiality shall be true and correct, and the representations and warranties not so qualified shall be true and correct in all material respects as of the date of this Agreement and on the Effective Date as if made on the Effective Date, except for such representations and warranties made expressly as of a specified date which shall be true and correct in all material respects as of such date; and TPS shall have received a certificate signed on behalf of KABN by an executive officer thereof to such effect dated as of the Effective Date.
- (b) KABN shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by KABN prior to or on the Effective Date and TPS shall have received a certificate signed on behalf of KABN by an executive officer thereof to such effect dated as of the Effective Date.
- (c) There shall not have occurred any Material Adverse Change with respect to KABN since the date of this Agreement, except for a decrease in KABN's working capital position reasonably necessary to facilitate the Business Combination.
- (d) The KABN Financial Statements shall be fairly present in all material respects the assets, liabilities and financial condition of KABN as of the respective dates thereof and the earnings, results of operations and changes in financial position of KABN for the periods then ended.
- (e) The KABN Shareholders shall have approved the KABN Amalgamation Resolution in accordance with applicable Law.
- (f) The TPS Shareholders shall have approved the TPS Fundamental Change Resolution in accordance with applicable Law.

- (g) The New TPS Shares shall have been conditionally approved for Listing.
- (h) TPS shall be satisfied that the exchange of New TPS Shares for KABN Shares shall be qualified or exempt from registration or qualification under all applicable United States federal and state securities laws.
- (i) The unpaid Transaction Expenses of TPS and TPS Subco shall have been paid by KABN in accordance with Section 12.2.

**ARTICLE 9**  
**CONDITIONS TO OBLIGATIONS OF KABN**

**9.1 Conditions Precedent in Favour of KABN to Completion of the Business Combination**

The obligation of KABN to complete the Business Combination is subject to the satisfaction of the following conditions on or prior to the Effective Date, each of which may be waived by KABN:

- (a) The representations and warranties of TPS and TPS Subco set forth in Article 4 qualified as to materiality shall be true and correct, and the representations and warranties not so qualified shall be true and correct in all material respects as of the date of this Agreement and on the Effective Date as if made on the Effective Date, except for such representations and warranties made expressly as of a specified date which shall be true and correct in all material respects as of such date, and KABN shall have received certificates signed on behalf of TPS and TPS Subco, respectively, by an executive officer thereof to such effect dated as of the Effective Date.
- (b) TPS and TPS Subco shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by TPS and TPS Subco, respectively, prior to or on the Effective Date and KABN shall have received certificates signed on behalf of TPS and TPS Subco, respectively, by an executive officer thereof to such effect dated as of the Effective Date.
- (c) There shall not have occurred any Material Adverse Change with respect to the TPS Group, except for a decrease in TPS's working capital position reasonably necessary to facilitate the Amalgamation and to meet its customary obligations as a "reporting issuer".
- (d) From and after November 21, 2019, TPS not having undertaken any business, other than in connection with the completion of the Business Combination.
- (e) The KABN Shareholders shall have approved the KABN Amalgamation Resolution in accordance with applicable Law.
- (f) The TPS Shareholders shall have approved the TPS Fundamental Change Resolution in accordance with applicable Law.

- (g) The New TPS Shares shall have been conditionally approved for Listing.
- (h) TPS shall have filed a Notice of Alteration in accordance with the BCBCA in respect of the Name Change, and the Name Change shall be effective.
- (i) The Consolidation shall be effective.
- (j) Dissent Rights shall not have been exercised in respect of more than 5% of the issued and outstanding KABN Shares.
- (k) KABN shall be satisfied that the exchange of New TPS Shares for KABN Shares shall be qualified or exempt from registration or qualification under all applicable United States federal and state securities Laws.
- (l) TPS shall not be in default in any material respect of any requirement of Canadian Securities Laws and TPS is not included on a list of defaulting reporting issuers maintained by any of the securities commissions or similar regulatory authorities.
- (m) The TPS Options held by Mr. Mlait, Mr. Loree, Mr. Mesina and Mr. Singh shall have been cancelled on conditions reasonably acceptable to each of the Parties and any other convertible securities or similar instruments or agreements of KABN providing for the issuance of securities of KABN shall, following the Business Combination, be convertible into or provide for the issuance of securities of TPS in accordance with their terms or shall have been assumed in writing by TPS such that they will be convertible into or provide for the issuance of securities of TPS following the Business Combination.
- (n) Except for the persons listed in Section 1.4, all of the resigning directors and officers of TPS and TPS Subco (and their subsidiaries) shall have resigned without payment by or any liability to TPS, KABN, TPS Subco, the applicable subsidiary, or Amalco, and each such director and officer shall have executed and delivered a release in favour of TPS, TPS Subco, the applicable subsidiary, KABN and Amalco, in a form acceptable to TPS and KABN, each acting reasonably, and the board of directors of TPS shall be the persons listed in Section 1.4.
- (o) Each of the Persons listed in Schedule D shall have entered into a lock-up agreement with TPS that provides that their New TPS Shares may not be transferred, subject to typical exceptions and subject to release from such restrictions as to 50% on the date that is 6 months from the Closing and as to the remaining 50% on the date that is 12 months from the Closing. The Parties acknowledge that such TPS Shares will not be required to be transferred from their current accounts in connection with the entry into the lock-up agreement.
- (p) TPS and TPS Subco have no liabilities other than as set out in the last publicly filed financial statements of TPS, provided that such amounts shall be no more than the limits set out in Section 12.2.

**ARTICLE 10**  
**MUTUAL CONDITIONS PRECEDENT**

**10.1 Mutual Conditions Precedent**

The obligations of TPS and KABN to complete the Business Combination are subject to the satisfaction of the following conditions on or prior to the Effective Date, each of which may be waived only with the consent in writing of TPS and KABN:

- (a) KABN shall have raised aggregate gross proceeds of at least \$750,000 pursuant to the Pre-RTO Financing and the RTO Financing;
- (b) all consents, waivers, permits, exemptions, orders, consents and approvals required to permit the completion of the Business Combination, the failure of which to obtain could reasonably be expected to have a Material Adverse Effect on KABN or TPS or materially impede the completion of the Business Combination, shall have been obtained;
- (c) no temporary restraining order, preliminary injunction, permanent injunction or other order preventing the consummation of the Business Combination shall have been issued by any federal, state, or provincial court (whether domestic or foreign) having jurisdiction and remain in effect;
- (d) on the Effective Date, no cease trade order or similar restraining order of any other provincial securities administrator relating to the TPS Shares, the New TPS Shares, the KABN Shares or the Amalco Shares shall be in effect;
- (e) there shall not be pending or threatened any suit, action or proceeding by any Governmental Authority, before any court or Governmental Authority, agency or tribunal, domestic or foreign, that has a significant likelihood of success, seeking to restrain or prohibit the consummation of the Business Combination or any of the other transactions contemplated by this Agreement or seeking to obtain from TPS, TPS Subco or KABN any damages that are material in relation to TPS, TPS Subco and KABN and their subsidiaries taken as a whole;
- (f) the distribution of Amalco Shares and the New TPS Shares pursuant to the Business Combination shall be exempt from the prospectus requirements of applicable Canadian Securities Law either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of applicable exemptions under Canadian Securities Laws and shall not be subject to resale restrictions under applicable Canadian Securities Laws other than as applicable to “control persons” or pursuant to section 2.6 [*Seasoning Period*] of National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators; and
- (g) this Agreement shall not have been terminated in accordance with its terms.

## ARTICLE 11 TERMINATION

### 11.1 Termination of this Agreement

This Agreement may be terminated at any time prior to the Effective Time, whether before or after the KABN Amalgamation Resolution being passed by the KABN Shareholders, the TPS Subco Amalgamation Resolution being passed by TPS or the TPS Fundamental Change Resolution being approved by the TPS Shareholders or any other matters presented in connection with the Business Combination:

- (a) by mutual written consent of TPS, TPS Subco and KABN;
- (b) by a Party if a condition in its favour or a mutual condition is not satisfied by the Termination Date (or any earlier date by which such condition is required to be satisfied) except where such failure is the result of a breach of this Agreement by such Party;
- (c) by TPS or KABN if there has been a breach of any of the representations, warranties, covenants and agreements on the part of the other Party (the “**Breaching Party**”) set forth in this Agreement, which breach has or is likely to result in the failure of the conditions set forth in Section 8.1, 9.1 or 10.1, as the case may, to be satisfied and in each case has not been cured within ten (10) Business Days following receipt by the Breaching Party of written notice of such breach from the non-breaching Party (the “**Non-Breaching Party**”);
- (d) by TPS or KABN if any permanent order, decree, ruling or other action of a court or other competent authority restraining, enjoining or otherwise preventing the consummation of the Business Combination shall have become final and non-appealable;
- (e) by TPS or KABN if:
  - (i) the other Party or the board of directors of such other Party, or any committee thereof, withdraws or modifies in a manner adverse to the initial Party, its approval of this Agreement or its recommendation to shareholders vote in favour of the TPS Fundamental Change Resolution or the KABN Amalgamation Resolution, as applicable (a “**Change of Recommendation**”);
  - (ii) the KABN Amalgamation Resolution is not passed by the KABN Shareholders; or
  - (iii) the TPS Fundamental Change Resolution is not consented to or passed by the TPS Shareholders;
- (f) by KABN, before 5:00 pm (Vancouver time) on December 20, 2019, if it is not satisfied in its sole discretion with its due diligence investigations of TPS;

- (g) by TPS, before 5:00 pm (Vancouver time) on December 20, 2019, if it is not satisfied in its sole discretion with its due diligence investigations of KABN; and
- (h) by TPS or KABN if the Business Combination is not completed by the Termination Date provided that the Party then seeking to terminate this Agreement is not then in default of any of its obligations hereunder.

## **11.2 Effect of Termination**

In the event of any termination of this Agreement as provided in Section 11.1, this Agreement, except for the provisions of Section 12.2, Section 7.5 (but as regards TPS, with respect to KABN or the Business Combination after termination), and Section 7.8, shall terminate and become void and have no effect, without any liability on the part of any Party or its directors, officers or shareholders with respect thereto. Notwithstanding the foregoing, nothing in this Section 11.2 shall relieve any party to this Agreement of liability for fraud or any breach of any covenant or agreement set forth in this Agreement. No termination of this Agreement shall affect the obligations of the Parties contained in any of the Confidentiality Agreements, all of which obligations shall survive termination of this Agreement in accordance with its terms.

## **11.3 Survival of Representations and Warranties; Limitation**

The representations and warranties set forth in herein shall expire and be terminated on the earlier of the Effective Date or the termination of this Agreement.

# **ARTICLE 12 MISCELLANEOUS**

## **12.1 Further Actions**

From time to time, as and when requested by any Party, the other Parties shall execute and deliver, and use all commercially reasonable efforts to cause to be executed and delivered, such documents and instruments and shall take, or cause to be taken, such further or other actions as may be reasonably requested in order to:

- (a) carry out the intent and purposes of this Agreement;
- (b) effect the Business Combination (or to evidence the foregoing); and
- (c) consummate and give effect to the other transactions, covenants and agreements contemplated by this Agreement.

## **12.2 Expenses**

Except as expressly set forth herein, each of the Parties shall be responsible for its own costs and charges incurred with respect to the transactions contemplated herein including, without limitation, all costs and charges incurred prior to the date of the Letter of Intent and all legal and accounting fees and disbursements relating to preparing this Agreement or otherwise relating to the transactions contemplated herein; provided, however (and for greater clarity), KABN shall be responsible for paying all costs and fees payable to

the CSE in connection with its review of the application for Listing (including the review of the Personal Information Forms to be submitted by the New TPS Directors and New TPS Management) and all listing fees to the CSE and all costs and expenses required to effect the TPS Meeting. As of the completion of the Business Combination the liabilities and expenses of TPS and TPS Subco will not be greater than \$21,863, except as may have been approved by KABN in writing in advance of such liability being incurred, including pursuant to the Budget (as defined below) (collectively, the “**TPS Transaction Expenses**”). Any amounts advanced by KABN that are used to pay TPS Transaction Expenses will be counted in determining the aggregate TPS Transaction Expenses as of the completion of the Business Combination for purposes of this Section and Section 9.1(p). KABN shall pay the balance of the TPS Transaction Expenses up to the limits set out herein and not already advanced by it on the completion of the Business Combination. If this Agreement is terminated by TPS, any payment in respect of TPS Transaction Expenses shall be reimbursed by TPS to KABN. If this Agreement is terminated by KABN, any payment in respect of TPS Transaction Expenses is non-refundable to KABN. TPS shall not be responsible for any of the expenses of the KABN, whether or not the Business Combination is consummated.

### **12.3 Entire Agreement**

This Agreement, which includes the Schedules hereto and the other documents, agreements, and instruments executed and delivered pursuant to or in connection with this Agreement, contains the entire Agreement between the Parties with respect to matters dealt within herein and, except as expressly provided herein, supersedes all prior arrangements or understandings with respect thereto, including the Letter of Intent. The Confidentiality Agreement shall continue to be effective and each of TPS and KABN agree that any materials provide to the other Party shall be subject to the terms of the Confidentiality Agreement.

### **12.4 Descriptive Headings**

The descriptive headings of this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

### **12.5 Notices**

All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by telecopier, nationally recognized overnight courier, or registered or certified mail, postage prepaid, addressed as follows:

- (a) If to TPS or TPS Subco:

Torino Power Solutions  
7934 Government Road  
Burnaby, B.C. V5A 2E2

Attention: Ravinder Mlait  
Facsimile: 604-676-2767  
E-mail: [rav@torinopower.com](mailto:rav@torinopower.com)

with a copy (which shall not constitute notice) to:



Clark Wilson LLP  
900-885 West Georgia Street  
Vancouver, BC V6C 3H1

Attention: Cam McTavish  
Facsimile: 604-687-6314  
Email: [CMcTavish@cwilson.com](mailto:CMcTavish@cwilson.com)

(b) If to KABN:

KABN Systems North America Inc.  
1-7357 Woodbine Avenue  
Suite 605  
Markham, ON L3R 6L3

Attention: Lynn Cumiskey  
E-mail: [lynn.cumiskey@kabn.network](mailto:lynn.cumiskey@kabn.network)

with a copy (which shall not constitute notice) to:

Cassels Brock & Blackwell LLP  
40 King Street West  
Toronto, Ontario M5H 3C2

Attention: Greg Hogan  
Fax No: 416-640-3175  
E mail: [ghogan@cassels.com](mailto:ghogan@cassels.com)

Any such notices or communications shall be deemed to have been received: (i) if delivered personally or sent by telecopier (with transmission confirmed), nationally recognized overnight courier or by e-mail, on the date of such delivery; or (ii) if sent by registered or certified mail, on the third Business Day following the date on which such mailing was postmarked. Any Party may by notice change the address to which notices or other communications to it are to be delivered or mailed.

## **12.6 Governing Law**

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Ontario and the federal laws of Canada applicable therein, but references to such laws shall not, by conflict of laws, rules or otherwise require application of the law of any jurisdiction other than the Province of Ontario and the Parties hereby further irrevocably attorn to the jurisdiction of the Courts of the Province of Ontario in respect of any matter arising hereunder or in connection with the transactions contemplated in this Agreement.

## **12.7 Enurement and Assignability**

This Agreement shall be binding upon and shall enure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns, provided that this Agreement shall not be assignable otherwise than by operation of law by either Party without the prior written consent of the other Parties, and any purported assignment by any Party without the prior written consent of the other Party shall be void.

## **12.8 Confidentiality**

The Parties agree that no disclosure or announcement, public or otherwise, in respect of the Business Combination, this Agreement or the transactions contemplated herein shall be made by any Party or its representatives without the prior agreement of the other Parties as to timing, content and method, hereto, provided that the obligations herein will not prevent any Party from making, after consultation with the other Parties, such disclosure as its counsel advises is required by applicable Law or the rules and policies of the CSE. If either TPS, KABN or TPS Subco is required by applicable Law or regulatory instrument, rule or policy to make a public announcement with respect to the Business Combination, such Party hereto will provide as much notice to the other of them as reasonably possible, including the proposed text of the announcement.

## **12.9 Remedies**

The Parties acknowledge that an award of money damages may be inadequate for any breach of the obligations undertaken by the Parties and that the Parties shall be entitled to seek equitable relief, in addition to remedies at law. In the event of any action to enforce the provisions of this Agreement, each of the Parties waive the defense that there is an adequate remedy at law. Without limiting any remedies any Party may otherwise have, in the event any Party refuses to perform its obligations under this Agreement, the other Party shall have, in addition to any other remedy at law or in equity, the right to specific performance.

## **12.10 Waivers and Amendments**

Any waiver of any term or condition of this Agreement, or any amendment or supplementation of this Agreement, shall be effective only if in writing. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit, or waive a Party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

## **12.11 Severability**

If any provision contained in this Agreement shall be determined to be invalid, illegal, or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and the remaining provisions of this Agreement shall not, at the election of the Party for whose benefit the provision exists, be in any way impaired.

### **12.12 Currency**

Except as otherwise set forth herein, all references to amounts of money in this Agreement are to Canadian Dollars.

### **12.13 Counterparts and Execution**

This Agreement may be executed in any number of counterparts and delivered electronically, each of which will be deemed to be an original as regards any party whose signature appears thereon and all of which together will constitute one and the same instrument. This Agreement will become binding when one or more counterparts hereof, individually or taken together, bears the signatures of all the parties reflected hereon as signatories.

[REMAINDER OF THE AGREEMENT IS INTENTIONALLY BLANK]

**IN WITNESS WHEREOF**, the undersigned have executed and delivered this Agreement as of the day and year first above written.

**TORINO POWER SOLUTIONS INC.**

By: "Ravinder Mlait"

Name: Ravinder Mlait

Title: Chief Executive Officer

**KABN SYSTEMS NORTH AMERICA INC.**

By: "Benjamin Kessler"

Name: Benjamin Kessler

Title: Interim Chief Executive Officer

**2733668 ONTARIO INC.**

By: "Ravinder Mlait"

Name: Ravinder Mlait

Title: Director

**[signature page to Business Combination Agreement]**

## SCHEDULE A DEFINITIONS

“**Advisers**” when used with respect to any Person, shall mean such Person's directors, officers, employees, representatives, agents, lawyers, accountants, advisers, engineers, and consultants.

“**Affiliate**” shall have the meaning ascribed to such term in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators.

“**Agreement**” means this Business Combination Agreement, as it may be amended or supplemented at any time and from time to time after the date hereof.

“**Amalco**” means the company resulting from Amalgamation.

“**Amalco Shares**” means common shares without par value and without special rights or restrictions attached in the capital of Amalco.

“**Amalgamation**” means an amalgamation of TPS Subco and KABN pursuant to Section 174 of the OBCA, on the terms and subject to the conditions set out in this Agreement, subject to any amendments or variations thereto made in accordance with the provisions of this Agreement.

“**Associate**” shall have the meaning ascribed to such term in the *Securities Act* (British Columbia).

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended;

“**Breaching Party**” shall have the meaning ascribed to such term in Section 11.1(c).

“**Business Combination**” means the business combination among TPS, TPS Subco and KABN pursuant to which KABN Shareholders will receive New TPS Shares on the basis of one New TPS Share for each one KABN Share held and TPS will become the parent company of Amalco.

“**Business Day**” means any day other than a Saturday or Sunday or other day on which Canadian Chartered Banks located in the City of Vancouver or the City of Toronto are required or permitted to close.

“**Canadian Securities Laws**” means the Securities Acts (or equivalent legislation) in each of the provinces and territories of Canada and the respective regulations under such legislation together with applicable published rules, regulations, policy statements, national, multilateral and local instruments and memoranda of understanding of the Canadian Securities Administrators and the securities regulatory authorities in such provinces and territories.

“**Change of Recommendation**” shall have the meaning ascribed to such term in Section 11.1(e)(i).

“**Confidentiality Agreement**” means the non-disclosure agreement dated October 28, 2019 between KABN and TPS.

“**Consolidation**” means the consolidation of the TPS Shares on the basis of one New TPS Share for each ten existing TPS Shares.

“**Contract**” means any contract, lease, agreement, instrument, license, commitment, order, or

quotation, written or oral.

“**CSE**” means the Canadian Securities Exchange.

“**Dissent Rights**” shall have the meaning ascribed to such term in Section 2.1.

“**Effective Date**” shall have the meaning ascribed to such term in Section 1.2(e).

“**Effective Time**” means 12:01 a.m. (Toronto time) on the Effective Date.

“**Employee Plans**” means all plans, arrangements, agreements, programs, policies or practices, whether oral or written, formal or informal, funded or unfunded, maintained for employees, including, without limitation:

- (a) any employee benefit plan or material fringe benefit plan;
- (b) any retirement savings plan, pension plan or compensation plan, including, without limitation, any defined benefit pension plan, defined contribution pension plan, group registered retirement savings plan or supplemental pension or retirement income plan;
- (c) any bonus, profit sharing, deferred compensation, incentive compensation, stock compensation, stock purchase, hospitalization, health, drug, dental, legal disability, insurance (including without limitation unemployment insurance), vacation pay, severance pay or other benefit plan, arrangement or practice with respect to employees or former employees, individuals working on contract, or other individuals providing services of a kind normally provided by employees; and
- (d) where applicable, all statutory plans, including, without limitation, the Canada or Québec Pension Plans.

“**Encumbrance**” includes any mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, adverse claim, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

“**Environmental Laws**” means Laws regulating or pertaining to the generation, discharge, emission or release into the environment (including without limitation ambient air, surface water, groundwater or land), spill, receiving, handling, use, storage, containment, treatment, transportation, shipment, disposition or remediation or clean-up of any Hazardous Substance, as such Laws are amended and in effect as of the date hereof.

“**Government**” means:

- (a) the government of Canada, or any foreign country;
- (b) the government of any Province, county, municipality, city, town, or district of Canada, or any foreign country;
- (c) any ministry, agency, department, authority, commission, administration, corporation, bank, court, magistrate, tribunal, arbitrator, instrumentality, or political

subdivision of, or within the geographical jurisdiction of, any government described in the clauses (a) and (b) of this definition; and

(d) the CSE.

**“Government Official”** means:

- (a) any official, officer, employee, or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Authority;
- (b) any salaried political party official, elected member of political office or candidate for political office; or
- (c) any company, business, enterprise or other entity owned or controlled by any Person described in the foregoing clauses of this definition.

**“Governmental”** means pertaining to any Government.

**“Governmental Authority”** means and includes, without limitation, any Government or other political subdivision of any Government, judicial, public or statutory instrumentality, court, tribunal, commission, board, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question.

**“Group Member”** means and includes any Party and its other group members as the context requires.

**“Hazardous Substance”** means any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous or deleterious substance, waste or material, including hydrogen sulphide, arsenic, cadmium, copper, lead, mercury, petroleum, polychlorinated biphenyls, asbestos and urea-formaldehyde insulation, and any other material, substance, pollutant or contaminant regulated or defined pursuant to, or that could result in liability under, any applicable Environmental Law.

**“IFRS”** means International Financial Reporting Standards as produced by the International Accounting Standards Board.

**“Income Tax”** means any Tax based on or measured by income (including without limitation, based on net income, gross income, income as specifically defined, earnings, profits or selected items of income, earnings or profits); and any interest, Penalties and additions to tax with respect to any such tax (or any estimate or payment thereof).

**“ITA”** means the *Income Tax Act* (Canada), as amended and all regulations thereunder.

**“KABN Amalgamation Resolution”** means the resolution of the KABN Shareholders authorizing the Amalgamation and otherwise approving the Business Combination.

**“KABN Circular”** means the management information circular of KABN to be provided to the KABN Shareholders in respect of the KABN Amalgamation Resolution and the other matters (if any) to be considered at the KABN Meeting.

**“KABN Disclosure Letter”** means a letter dated as of the date of this Agreement and delivered by KABN to TPS and TPS Subco contemporaneous with the execution of this Agreement.

**“KABN Dissent Procedures”** means the dissent procedures provided to KABN Shareholders with respect to the KABN Amalgamation Resolution pursuant to Section 185 of the OBCA.

**“KABN Dissenting Shareholder”** means a registered KABN Shareholder who dissents in respect of the KABN Amalgamation Resolution in strict compliance with KABN Dissent Procedures.

**“KABN Financial Statements”** has the meaning ascribed to such term in Section 3.4(a).

**“KABN Meeting”** means the special meeting of the KABN Shareholders to be held to approve, *inter alia*, the Amalgamation and the Business Combination and any and all adjournments or postponements of such meeting.

**“KABN Options”** means currently outstanding options to purchase KABN Shares.

**“KABN Shareholders”** means the holders of the issued and outstanding KABN Shares.

**“KABN Shares”** means the common shares in the capital of KABN.

**“KABN Warrants”** means share purchase warrants to purchase KABN Shares.

**“liability”** of any Person means and include:

- (a) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured;
- (b) any right against such Person to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; and
- (c) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise).

**“Law”** means any of the following of, or issued by, any Government, in effect on or prior to the date hereof, including any amendment, modification or supplementation of any of the following from time to time subsequent to the original enactment, adoption, issuance, announcement, promulgation or granting thereof and prior to the date hereof: any statute, law, act, ordinance, code, rule or regulation of any writ, injunction, award, decree, judgment or order.

**“Letter of Intent”** means the letter of intent, dated November 21, 2019, between KABN and TPS related to the Business Combination.

**“Listing”** means the listing of the New TPS Shares on the CSE.

**“Listing Statement”** means the listing statement of TPS to be prepared in accordance with the requirements of the CSE and filed with the CSE in connection with the Business Combination and the application for Listing.



**“Material Adverse Change”** or **“Material Adverse Effect”** means, with respect to either Party any change, event, effect, occurrence or state of facts that has, or could reasonably be expected to constitute a material adverse change in respect of or to have a material adverse effect on, the business, properties, assets, liabilities (including contingent liabilities), results of operations or financial condition of the Party and its subsidiaries, as applicable, taken as a whole. The foregoing shall not include any change or effects attributable to:

- (a) any matter that has been disclosed in writing to the other Party or any of its Advisers by a Party or any of its Advisers in connection with this Agreement;
- (b) changes relating to general economic, political or financial conditions;
- (c) the state of securities markets in general;
- (d) the Pre-RTO Financing;
- (e) the RTO Financing; or
- (f) the announcement of the Business Combination.

**“Name Change”** means the change of TPS’s name to such name as is acceptable to KABN and to the applicable Governmental Authorities.

**“Name Change Resolution”** means the special resolution of the TPS Shareholders authorizing the Name Change.

**“New TPS Directors”** has the meaning ascribed to such term in Section 1.4.

**“New TPS Management”** has the meaning ascribed to such term in Section 1.4.

**“New TPS Options”** means options to purchase New TPS Shares.

**“New TPS Shares”** means the common shares TPS is authorized to issue and which are issued and outstanding after giving effect to the Consolidation.

**“New TPS Warrants”** means share purchase warrants to purchase New TPS Shares.

**“Non-Breaching Party”** shall have the meaning ascribed to such term in Section 11.1(c).

**“Non-Offending Persons”** shall have the meaning ascribed to such term in Section 7.8.

**“OBCA”** means the *Business Corporations Act* (Ontario) as amended;

**“Parties”** and **“Party”** means the parties to this Agreement.

**“Penalty”** means any civil or criminal penalty (including any interest thereon), fine, levy, lien, assessment, charge, monetary sanction or payment, or any payment in the nature thereof, of any kind, required to be made to any Government under any Law.

**“Person”** means any corporation, partnership, limited liability company or partnership, joint venture, trust, unincorporated association or organization, business, enterprise or other entity;

any individual; and any Government.

**“Pre-RTO Financing”** means the issuance of KABN Shares and KABN Warrants for gross proceeds of up to \$500,000 at a price per unit equal to \$0.10, to be completed by December 11, 2019.

**“RTO Financing”** means the issuance of KABN Shares and KABN Warrants for gross proceeds of up to \$1,250,000 at a price per unit equal to \$0.15.

**“subsidiary”** means, with respect to a specified corporation, any corporation of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified corporation, and shall include any corporation in like relation to a subsidiary.

**“Tax”** means any tax, levy, charge or assessment imposed by or due any Government, together with any interest, Penalties, and additions to tax relating thereto, including without limitation, any of the following:

- (a) any Income Tax;
- (b) any franchise, sales, use and value added tax or any license or withholding tax; any payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, alternative or add-on minimum tax; and any customs duties or other taxes;
- (c) any tax on property (real or Personal, tangible or intangible, based on transfer or gains);
- (d) any estimate or payment of any of tax described in the foregoing clauses (a) through (c); and
- (e) any interest, Penalties and additions to tax with respect to any tax (or any estimate or payment thereof) described in the foregoing clauses (a) through (d).

**“Tax Return”** means all returns, amended returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority in Canada.

**“Termination Date”** means April 30, 2020.

**“TPS”** means Torino Power Solutions Inc. a corporation existing under the BCBCA.

**“TPS Circular”** means the management proxy circular of TPS to be provided to the TPS Shareholders in respect of the TPS Fundamental Change Resolution, and the other matters (if any) to be considered at the TPS Meeting.

**“TPS Disclosure Letter”** means the letter dated as of the date of this Agreement and delivered by TPS and TPS Subco to KABN contemporaneously with the execution of this Agreement.

**“TPS Fundamental Change Resolution”** means the approval at the TPS Meeting by a majority of the votes cast, authorizing the Business Combination, which approval shall be from a majority

of the disinterested TPS Shareholders.

**“TPS Group”** means and includes TPS, TPS Subco and the other TPS Group Members.

**“TPS Group Member”** means and includes TPS and any corporation, partnership or company in which TPS beneficially owns or controls, directly or indirectly, more than 50% of the equity, voting rights, profit interest, capital or other similar interest thereof or any joint venture in which TPS has a direct or indirect interest.

**“TPS Meeting”** means the special meeting of the TPS Shareholders which may be held to pass the TPS Fundamental Change Resolution and the Name Change Resolution and any and all adjournments or postponements of such meeting.

**“TPS Options”** means options to purchase TPS Shares.

**“TPS Securities Documents”** shall have the meaning ascribed to such term in Section 4.4(a).

**“TPS Shareholders”** means the holders of TPS Shares.

**“TPS Shares”** means the common shares in the capital of TPS prior to giving effect to the Consolidation.

**“TPS Stock Option Plan”** means the stock option plan of TPS.

**“TPS Subco”** means 2733668 Ontario Inc, a wholly-owned subsidiary of TPS, incorporated under the OBCA for the purpose of effecting the Business Combination.

**“TPS Subco Amalgamation Resolution”** means the resolution of TPS, as sole shareholder of TPS Subco, authorizing the Amalgamation.

**“TPS Subco Shares”** means the common shares in the capital of TPS Subco.

**“TPS Warrants”** means share purchase warrants to purchase TPS Shares.

**SCHEDULE B  
AMALGAMATION AGREEMENT**

[attached]

**SCHEDULE C**  
**CERTIFICATE OF U.S. KABN SHAREHOLDER**

TO: Torino Power Solutions Inc.

AND TO: KABN Systems North America Inc.

Pursuant to a Business Combination Agreement (the “**Agreement**”) among Torino Power Solutions Inc. (“**TPS**”), 2733668 Ontario Inc., a wholly-owned subsidiary of TPS (“**TPS Subco**”), and KABN Systems North America Inc. (“**KABN**”), the shareholders of KABN (the “**KABN Shareholders**”) will exchange their outstanding common shares of KABN (“**KABN Shares**”) for post-consolidation common shares of TPS (the “**New TPS Shares**”) on the basis of one New TPS Share for each KABN Share held, and New TPS Subco will amalgamate with KABN (the “**Amalgamation**”). Immediately following the closing of the Amalgamation, the name of TPS will be changed to a name acceptable to the parties.

The representations, warranties and covenants in this Certificate will form the basis for the exemptions from the registration requirements of the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and applicable state securities laws, for the issuance of the New TPS Shares to KABN Shareholders in exchange for their KABN Shares upon completion of the Amalgamation (the “**Exchange**”).

In connection with the Amalgamation and the Exchange, the undersigned KABN Shareholder, on its own behalf and on behalf of any beneficial holder for whom it is acting, represents and warrants to, and covenants with, TPS and KABN that:

1. It has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the New TPS Shares and it is able to bear the economic risk of loss of its entire investment.
2. TPS has provided to it the opportunity to ask questions and receive answers concerning the terms and conditions of the Exchange, and it has had access to such information concerning TPS as it has considered necessary or appropriate in connection with its investment decision to acquire the New TPS Shares.
3. It understands that none of the New TPS Shares have been or will be registered under the U.S. Securities Act, or the securities laws of any state of the United States, and that the issuance of the New TPS Shares in exchange for the KABN Shares is being made only to “accredited investors”, as defined in Rule 501(a) of Regulation D under the U.S. Securities Act (“**Accredited Investors**”), in reliance on the exemption from such registration requirements provided by Rule 506(b) of Regulation D under the U.S. Securities Act.
4. It is an Accredited Investor and is acquiring the New TPS Shares for its own account, or for the account of another Accredited Investor as to which the undersigned exercises sole investment discretion, for investment purposes only and not with a view to any resale, distribution or other disposition of the New TPS Shares in violation of the United States federal or state securities laws.
5. If the KABN Shareholder is an individual (that is, a natural person and not a corporation, partnership, trust or other entity), then it (and any beneficial holder on whose behalf it is

acting) satisfies one or more of the categories of Accredited Investor indicated below **(please place an “S” on the appropriate line(s) below that applies to the undersigned KABN Shareholder and a “BH” on the appropriate line(s) below that applies to the beneficial holder (if any))**:

\_\_\_\_\_ A natural person whose individual “net worth”, or joint “net worth” with that person’s spouse, at the date of this Certificate exceeds US \$1,000,000;

For purposes of calculating “net worth” under this paragraph:

- (i) The person’s primary residence shall not be included as an asset;
- (ii) Indebtedness that is secured by the person’s primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and
- (iii) Indebtedness that is secured by the person’s primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability.

\_\_\_\_\_ A natural person who had an individual income in excess of US \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of US \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

6. If the KABN Shareholder is a corporation, partnership, trust or other entity, then it (and any beneficial KABN Shareholder on whose behalf it is acting) satisfies one or more of the categories of Accredited Investor indicated below **(please place an “S” on the appropriate line(s) below that applies to the undersigned KABN Shareholder and a “BH” on the appropriate line(s) below that applies to the beneficial holder (if any))**:

\_\_\_\_\_ A bank as defined in section 3(a)(2) of the U.S. Securities Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity;

\_\_\_\_\_ A broker or dealer registered pursuant to section 15 of the United States Securities Exchange Act of 1934, as amended;

\_\_\_\_\_ An insurance company as defined in section 2(a)(13) of the U.S. Securities Act;

\_\_\_\_\_ An investment company registered under the United States Investment Company Act of 1940, as amended, or a business development company as defined in Section 2(a)(48) of that Act;

- \_\_\_\_\_ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the United States Small Business Investment Act of 1958, as amended;
- \_\_\_\_\_ A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of US \$5,000,000;
- \_\_\_\_\_ An employee benefit plan within the meaning of the United States Employee Retirement Income Security Act of 1974, as amended, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of US \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- \_\_\_\_\_ An organization described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code"), a corporation, a Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the New TPS Shares, with total assets in excess of US \$5,000,000;
- \_\_\_\_\_ A trust that (a) has total assets in excess of US \$5,000,000, (b) was not formed for the specific purpose of acquiring the Shares, and (c) whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an investment in the New TPS Shares;
- \_\_\_\_\_ A private business development company as defined in Section 202(a)(22) of the United States Investment Advisors Act of 1940, as amended; or
- \_\_\_\_\_ An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories set forth in paragraph 5 of this Certificate and/or this paragraph 6.
7. It is not acquiring the New TPS Shares as a result of any form of "general solicitation or general advertising" (as such terms are used in Regulation D under the U.S. Securities Act), including, without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or on the Internet, or broadcast over radio, television or the Internet, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.
8. It agrees that if it decides to offer, sell, pledge or otherwise transfer any of the New TPS Shares, it will not offer, sell, pledge or otherwise transfer any of such New TPS Shares, directly or indirectly, unless the transfer is made:
- (a) to TPS;
  - (b) outside the United States in a transaction meeting the requirements of Rules 903 or 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;

- (c) pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities laws; or
- (d) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws; and

it has prior to such transfer pursuant to subsection (c) or (d) furnished to TPS an opinion of counsel of recognized standing in form and substance reasonably satisfactory to TPS to such effect.

9. The certificates representing the New TPS Shares, and any certificates issued in exchange or substitution for such securities, will bear a legend in substantially the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR UNDER ANY STATE SECURITIES LAWS AND ARE “RESTRICTED SECURITIES” AS THAT TERM IS DEFINED IN RULE 144 UNDER THE U.S. SECURITIES ACT. THE HOLDER HEREOF, BY ACQUIRING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE ISSUER; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULES 903 or 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS; (C) IN COMPLIANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT AND, IN THE CASE OF PARAGRAPH (C) OR (D), THE SELLER FURNISHES TO THE ISSUER AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO SUCH EFFECT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”

If the New TPS Shares are being sold in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with Canadian local laws and regulations, the legend may be removed by providing a declaration to TPS and its transfer agent substantially in the form set forth in Exhibit I hereto (or as TPS may prescribe from time to time), and, if requested by TPS’s transfer agent, an opinion of counsel of recognized standing, in form and substance reasonably satisfactory to TPS, to the effect that the transfer is being made in compliance with Rule 904 of Regulation S under the U.S. Securities Act.

If any of the New TPS Shares are being sold pursuant to Rule 144 under the U.S. Securities Act, if available, the legend may be removed by delivery to TPS and its transfer agent of an opinion of counsel of recognized standing, in form and substance reasonably



satisfactory to TPS, to the effect that the legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

10. It consents to TPS making a notation on its records or giving instructions to its transfer agent in order to implement the restrictions on transfer set forth and described in this Certificate.
11. It understands and agrees that there may be material tax consequences to the KABN Shareholder of the acquisition, holding, exercise or disposition of the New TPS Shares, and that it is the sole responsibility of the KABN Shareholder to determine and assess such tax consequences as may apply to its particular circumstances. TPS does not give any opinion or make any representation with respect to the tax consequences to the KABN Shareholder under United States, state, local or foreign tax law of the undersigned's acquisition, holding, exercise or disposition of such New TPS Shares; in particular, no determination has been made whether TPS will be a "passive foreign investment company" ("**PFIC**") within the meaning of Section 1297 of the Code.
12. It understands and acknowledges that: (i) if TPS were to be classified as a PFIC for a tax year in which the KABN Shareholder owns New TPS Shares, the KABN Shareholder would be subject to adverse United States federal income tax consequences that might be mitigated if it were to make a timely "qualified electing fund" ("**QEF**") election (as such term is defined in the Code); (ii) the KABN Shareholder's ability to make a QEF election will depend in part upon TPS complying with certain record keeping and information delivery requirements; and (iii) there is no assurance that TPS will satisfy the record keeping requirements that apply to a PFIC, or that TPS will supply the KABN Shareholder with the information that the KABN Shareholder is required to report under QEF rules if TPS is a PFIC and the KABN Shareholder wishes to make a QEF election. Therefore, the KABN Shareholder understands and acknowledges that it may not be able to make a QEF election with respect to the New TPS Shares.
13. It understands that the financial statements of TPS have been prepared in accordance with International Financial Reporting Standards, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies.
14. The KABN Shareholder is in the United States. The address at which the KABN Shareholder received and accepted the offer to acquire the New TPS Shares is the address listed on the execution page of this Certificate.
15. It understands that the New TPS Shares are "restricted securities", as defined in Rule 144(a)(3) under the U.S. Securities Act, and that the KABN Shareholder may dispose of the New TPS Shares only pursuant to an effective registration statement under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act. The KABN Shareholder understands and acknowledges that TPS is not obligated to file and has no present intention of filing with the United States Securities and Exchange Commission or with any state securities administrator any registration statement in respect of resales of the New TPS Shares in the United States. Accordingly, the KABN Shareholder understands that absent registration under the U.S. Securities Act or an exemption therefrom, the KABN Shareholder may be required to hold the New TPS Shares indefinitely.

16. It understands that (i) TPS is deemed to be an issuer that is, or that has been at any time previously, an issuer with no or nominal operations and no or nominal assets other than cash and cash equivalents (a “**Shell Company**”), and that Rule 144 under the U.S. Securities Act is not available for resales of the New TPS Shares, and (ii) TPS is not obligated to make Rule 144 under the U.S. Securities Act available for resales of the New TPS Shares. Since TPS would be considered to have been a Shell Company, consequently, Rule 144 under the U.S. Securities Act is not available for resales of the New TPS Shares unless and until TPS has satisfied the applicable conditions set forth in Rule 144 under the U.S. Securities Act or in other guidance issued by the United States Securities and Exchange Commission. In general terms, the satisfaction of such conditions would require TPS to have been a registrant under the United States Securities Exchange Act of 1934, as amended, for at least 12 months, to be in compliance with its reporting obligations thereunder, and to have filed certain information with the United States Securities and Exchange Commission at least 12 months prior to the intended resale (or to have satisfied similar requirements under applicable Canadian Securities Laws). As a result, Rule 144 under the U.S. Securities Act may never be available for resales of the New TPS Shares.
17. It understands that TPS is incorporated under the laws of Canada, that substantially all of TPS’s assets are located outside the United States and that most or all of its directors and officers are residents of countries other than the United States, and, as a result, it may be difficult for the KABN Shareholder to effect service of process within the United States upon TPS or its directors or officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of TPS and its directors and officers under the U.S. federal securities laws.
18. It understands that no agency, governmental authority, regulatory body, stock exchange or other entity (including, without limitation, the United States Securities and Exchange Commission or any state securities commission) has made any finding or determination as to the merit of investment in, nor have any such agencies or governmental authorities made any recommendation or endorsement with respect, to the New TPS Shares.
19. If required by applicable securities legislation, regulatory policy or order or by any securities commission, stock exchange or other regulatory authority, it will execute, deliver and file and otherwise assist TPS in filing reports, questionnaires, undertakings and other documents with respect to the issue of the New TPS Shares.
20. It understands and acknowledges that it is making the representations and warranties and agreements contained herein with the intent that they may be relied upon by TPS and KABN in determining its eligibility to acquire the New TPS Shares in exchange for the KABN Shares upon completion of the Amalgamation and will form the basis of the exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws for the issuance of the New TPS Shares in exchange for the KABN Shares following completion of the Amalgamation.

“**United States**” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

The statements made in this Certificate are true and accurate to the best of my / our information and belief and I / we will promptly notify TPS and KABN of any changes in any representation,

warranty, agreement or other information relating to the undersigned set forth herein which takes place prior to the acquisition of the New TPS Shares.

In order to receive their New TPS Shares, each KABN Shareholder that is in the United States must complete and sign this Certificate.

Capitalized terms used in this Schedule C and not defined herein have the meaning ascribed thereto in the Agreement to which this Schedule is annexed.

(SIGNATURE PAGE FOLLOWS)

**ONLY U.S. KABN SHAREHOLDERS NEED COMPLETE AND SIGN**

Dated \_\_\_\_\_, 20\_\_

**X**

\_\_\_\_\_  
Signature of individual (if KABN Shareholder **is** an individual)

**X**

\_\_\_\_\_  
Authorized signatory (if KABN Shareholder is **not** an individual)

\_\_\_\_\_  
Name of KABN Shareholder (**please print**)

\_\_\_\_\_  
Name of authorized signatory (**please print**)

\_\_\_\_\_  
Official capacity of authorized signatory (**please print**)

\_\_\_\_\_  
Address of KABN Shareholder

**EXHIBIT I**  
**TO SCHEDULE C**  
**DECLARATION FOR REMOVAL OF LEGEND**

TO: ●, as registrar and transfer agent for the common shares of [New TPS Name].

AND TO: [New TPS Name] (the “**Issuer**”)

The undersigned (A) acknowledges that the sale of the common shares of TPS represented by certificate number \_\_\_\_\_, to which this declaration relates, is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and (B) certifies that (1) the undersigned is not an “affiliate” (as that term is defined in Rule 405 under the U.S. Securities Act) of TPS; (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Canadian Securities Exchange, the Toronto Stock Exchange, the TSX Venture Exchange, or another designated offshore securities market (as such term is defined in Regulation S under the U.S. Securities Act) and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of “washing off” the resale restrictions imposed because the securities are “restricted securities” (as that term is defined in Rule 144(a)(3) under the U. S. Securities Act); (5) the seller does not intend to replace such securities with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S under the U.S. Securities Act, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

**X**

\_\_\_\_\_  
Signature of individual (if KABN Shareholder is an individual)

**X**

\_\_\_\_\_  
Authorized signatory (if KABN Shareholder is not an individual)

\_\_\_\_\_  
Name of KABN Shareholder (please print)

\_\_\_\_\_  
Name of authorized signatory (please print)

\_\_\_\_\_  
Official capacity of authorized signatory (please print)

**Affirmation by Seller's Broker-Dealer  
Required for sales pursuant to Section (B)(2)(b) above)**

We have read the foregoing representations of our customer, \_\_\_\_\_ (the "**Seller**") dated \_\_\_\_\_, with regard to the sale, for such Seller's account, of the common shares of TPS represented by certificate number \_\_\_\_\_ described therein (the "**Securities**"). We have executed or will execute sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), on behalf of the Seller. In that connection, we hereby represent to you as follows:

- (1) no offer to sell Securities was or will be made to a person in the United States;
- (2) the sale of the Securities was or will be executed in, on or through the facilities of the Canadian Securities Exchange, the Toronto Stock Exchange, the TSX Venture Exchange or another designated offshore securities market (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not or will not be pre-arranged with a buyer in the United States;
- (3) no "directed selling efforts" were or will be made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and
- (4) we have done and will do no more than execute the order or orders to sell the Securities as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations:

"**affiliate**" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned;

"**directed selling efforts**" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities (including, but not be limited to, the solicitation of offers to purchase the Securities from persons in the United States); and

"**United States**" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to TPS shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

Name of Firm

\_\_\_\_\_  
Name of Firm

By:

\_\_\_\_\_  
Authorized Officer

Dated: \_\_\_\_\_, 20\_\_

**SCHEDULE D  
LOCKED UP TPS SHAREHOLDERS**

<b>Name</b>	<b>Number of TPS Shares</b>
<b>Bryan Loree</b>	8,006,479
<b>Ravinder Mlait</b>	7,669,459

**SCHEDULE "G"**  
**TPS AUDIT COMMITTEE CHARTER**

**AUDIT COMMITTEE CHARTER**  
**TORINO POWER SOLUTIONS INC.**  
(the “**Company**”)

(Adopted as of December 14, 2015)

**1. PURPOSE OF THE AUDIT COMMITTEE**

The Audit Committee (the “**Committee**”) is a standing committee of the Board of Directors (the “**Board**”) of the Company. The role of the Committee is to:

- a) assist the Board in its oversight responsibilities by reviewing: (i) the Company's financial statements, the financial and internal controls and the accounting, audit and reporting activities, (ii) the Company's compliance with legal and regulatory requirements, (iii) the external auditors' qualifications and independence, and (iv) the scope, results and findings of the Company's external auditors' audit and non-audit services;
- b) prepare any report of the Committee required to be included in the Company's annual report or proxy material;
- c) report to the Board in respect of the Company’s financial statements prior to the Board approving such statements; and
- d) take such other actions within the scope of this Charter as the Board may assign to the Committee from time to time or as the Committee deems necessary or appropriate.

**2. COMPOSITION, OPERATIONS AND AUTHORITY**

*Composition*

The Committee shall be composed of a minimum of three members of the Board. Unless exempted by applicable securities laws and applicable stock exchange policies, all members of the Committee shall be independent as determined by the Board in accordance with the applicable requirements of the laws governing the Company, the applicable stock exchanges on which the Company's securities are listed and applicable securities regulatory authorities (collectively, the “**Applicable Law**”). Each member of the Committee shall be “financially literate” as such term is defined by the Applicable Law.

Members of the Committee shall be appointed by the Board and continue to be members until their successors are elected and qualified or until their earlier death, retirement, resignation or removal. Any member of the Committee may be removed by the Board in its discretion. However, a member of the Committee shall automatically cease to be a member of the Committee upon either ceasing to be a director of the Board or, if applicable, ceasing to be independent as required in this Section 2 of this Charter. Vacancies on the Committee will be filled by the Board.

*Authority*

The authority of the Committee is subject to the provisions of this Charter, the constating documents of the Company, such limitations as may be imposed by the Board from time to time and Applicable Law.

The Committee shall have the authority to: (i) retain (at the Company's expense) its own legal counsel and other advisors and experts that the Committee believes, in its sole discretion, are needed to carry out its duties and responsibilities; (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities; and (iii) take whatever actions that it deems appropriate to foster an internal culture that is committed to maintaining quality financial reporting, sound business risk practices and ethical



behavior within the Company. In addition, the Committee shall have the authority to request any officer, director or employee of the Company, or any other persons whose advice and counsel are sought by the Committee, such as members of the Company's management or the Company's outside legal counsel and external auditors, to meet with the Committee or any of its advisors and to respond to their inquiries. The Committee shall have full access to the books, records and facilities of the Company in carrying out its responsibilities.

The Committee shall have the authority to delegate to one or more of its members, responsibility for developing recommendations for consideration by the Committee with respect to any of the matters referred to in this Charter.

### ***Operations***

The Board may appoint one member of the Committee to serve as chair of the Committee (the “**Chair**”), but if it fails to do so, the members of the Committee shall designate a Chair by majority vote of the full Committee to serve at the pleasure of the majority of the full Committee. If the Chair of the Committee is not present at any meeting of the Committee, an acting Chair for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chair shall refer the matter to the Board. The Committee may appoint a secretary who need not be a member of the Board or Committee. A secretary who is not a member of the Committee shall not have the rights of a member of the Committee.

The Chair shall preside at each meeting of the Committee and set the agendas for the Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings as long as they are not inconsistent with any provisions of the Company's constating documents or this Charter.

The Committee shall meet (in person or by telephonic meeting) at least quarterly or more frequently as circumstances dictate. As a part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements, the Committee shall meet in a separate session with the external auditors and, if desired, with management and/or the internal auditor. In addition, the Committee or the Chair shall meet with management quarterly to review the Company's financial statements and the Committee or a designated member of the Committee shall meet with the external auditors to review the Company's financial statements on a regular basis as the Committee may deem appropriate. The Committee shall maintain written minutes or other records of its meetings and activities, which shall be duly filed in the Company's records.

Except as otherwise required by the Company's constating documents, a majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of a majority of the members present at any meeting at which there is a quorum shall be the act of the Committee. The Committee may also act by unanimous written consent in lieu of a meeting.

The Chair of the Committee shall report to the Board following meetings of the Committee and as otherwise requested by the Board.

### **3. RESPONSIBILITIES AND DUTIES**

The Committee's primary responsibilities are to:

#### ***General***

- a) review and assess the adequacy of this Charter on an annual basis and, where necessary or desirable, recommend changes to the Board;

- b) report to the Board regularly at such times as the Chair may determine to be appropriate but not less frequently than four times per year;
- c) follow the process established for all committees of the Board for assessing the Committee's performance;

***Review of Financial Statements, MD&A and other Documents***

- d) review the Company's financial statements and related management's discussion and analysis and any other annual reports or other financial information to be submitted to any governmental body or the public, including any certification, report, opinion or review rendered by the external auditors before they are approved by the Board and publicly disclosed;
- e) report to the Board in respect of the Company's financial statements prior to the Board approving such statements;
- f) review with the Company's management and, if applicable, the external auditors, the Company's quarterly financial statements and related management's discussion and analysis, before they are released;
- g) ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements other than the disclosure referred to in the two immediately preceding paragraphs and periodically assess the adequacy of such procedures;
- h) review the effects of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;
- i) review with the Company's management any press release of the Company which contains financial information;
- j) review analyses prepared by management and/or the external auditors setting forth significant reporting issues and judgments made in connection with the preparation of the Company's financial statements;

***External Auditors***

- k) recommend external auditors' nominations to the Board to be put before the shareholders for appointment and, as necessary, the removal of any external auditors in office from time to time;
- l) approve the fees and other compensation to be paid to the external auditors;
- m) pre-approve all significant non-audit engagements to be provided to the Company with the external auditors;
- n) require the external auditors to submit to the Committee, on a regular basis (at least annually), a formal written statement delineating all relationships between the external auditors and the Company and discuss with the external auditors any relationships that might affect the external auditors' objectivity and independence;
- o) recommend to the Board any action required to ensure the independence of the external auditors;

- p) advise the external auditors of their ultimate accountability to the Board and the Committee;
- q) oversee the work of the external auditors engaged for the purpose of preparing an audit report or performing other audit, review and attest services for the Company;
- r) evaluate the qualifications, performance and independence of the external auditors which are to report directly to the Committee, including (i) reviewing and evaluating the lead partner on the external auditors' engagement with the Company, (ii) considering whether the auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditors' independence, (iii) determine the rotation of the lead audit partner and the audit firm, and (iv) take into account the opinions of management and the internal audit function in assessing the external auditors' qualifications, independence and performance;
- s) present the Committee's conclusions with respect to its evaluation of external auditors to the Board and take such additional action to satisfy itself of the qualifications, performance and independence of external auditors and make further recommendations to the Board as it considers necessary;
- t) obtain and review a report from the external auditors at least annually regarding the external auditors' internal quality-control procedures; material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more external audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the external auditors and the Company;
- u) establish policies for the Company's hiring of employees or former employees of the external auditors;
- v) monitor the relationship between management and the external auditors including reviewing any management letters or other reports of the external auditors and discussing any material differences of opinion between management and the external auditors;

***Financial Reporting Process***

- w) periodically discuss the integrity, completeness and accuracy of the Company's internal controls and the financial statements with the external auditors in the absence of the Company's management;
- x) in consultation with the external auditors, review the integrity of the Company's financial internal and external reporting processes;
- y) consider the external auditors' assessment of the appropriateness of the Company's auditing and accounting principles as applied in its financial reporting;
- z) review and discuss with management and the external auditors at least annually and approve, if appropriate, any material changes to the Company's auditing and accounting principles and practices suggested by the external auditors, internal audit personnel or management;
- aa) review and discuss with the Chief Executive Officer (“CEO”) and the Chief Financial Officer (the “CFO”) the procedures undertaken in connection with the Chief Executive

Officer and Chief Financial Officer certifications for the interim and annual filings with applicable securities regulatory authorities;

- bb) review disclosures made by the CEO and CFO during their certification process for the annual and interim filings with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees who have a significant role in the Company's internal controls;
- cc) establish regular and separate systems of reporting to the Committee by management and the external auditors of any significant decision made in management's preparation of the financial statements, including the reporting of the view of management and the external auditors as to the appropriateness of such decisions;
- dd) discuss during the annual audit, and review separately with each of management and the external auditors, any significant matters arising from the course of any audit, including any restrictions on the scope of work or access to required information; whether raised by management, the head of internal audit or the external auditors;
- ee) resolve any disagreements between management and the external auditors regarding financial reporting;
- ff) review with the external auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented at an appropriate time subsequent to the implementation of such changes or improvements;
- gg) retain and determine the compensation of any independent counsel, accountants or other advisors to assist in its oversight responsibilities (the Committee shall not be required to obtain the approval of the Board for such purposes);
- hh) discuss any management or internal control letters or proposals to be issued by the external auditors of the Company;

***Corporate Controls and Procedures***

- ii) receive confirmation from the CEO and CFO that reports to be filed with Canadian Securities commissions and any other applicable regulatory agency: (a) have been prepared in accordance with the Company's disclosure controls and procedures; and (b) contain no material misrepresentations or omissions and fairly presents, in all material respects, the financial condition, results of operations and cash flow as of and for the period covered by such reports;
- jj) receive confirmation from the CEO and CFO that they have concluded that the disclosure controls and procedures are effective as of the end of the period covered by such reports;
- kk) discuss with the CEO and CFO any reasons for which any of the confirmations referred to in the two preceding paragraphs cannot be given by the CEO and CFO;

### ***Code of Conduct and Ethics***

- ll) review and discuss the Company's Code of Business Conduct and Ethics and the actions taken to monitor and enforce compliance with the Code;
- mm) establish procedures for: i) the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; and ii) the confidential, anonymous submission of concerns regarding questionable accounting, internal control and auditing matters;

### ***Legal Compliance***

- nn) confirm that the Company's management has the proper review system in place to ensure that the Company's financial statements, reports, press releases and other financial information satisfy Applicable Law;
- oo) review legal compliance matters with the Company's legal counsel;
- pp) review with the Company's legal counsel any legal matter that the Committee understands could have a significant impact on the Company's financial statements;
- qq) conduct or authorize investigations into matters within the Committee's scope of responsibilities;
- rr) perform any other activities in accordance with the Charter, the Company's constituting documents and Applicable Law the Committee or the Board deems necessary or appropriate;
- ss) maintain minutes and other records of meetings and activities of the Committee;

### ***Related Party Transactions***

- tt) review the financial reporting of any transaction between the Company and any officer, director or other "related party" (including any shareholder holding an interest greater than 5% in the Company) or any entity in which any such person has a financial interest;
- uu) review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures;

### ***Reporting and Powers***

- vv) report to the Board following each meeting of the Committee and at such other times as the Board may consider appropriate; and
- ww) exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

## **4. LIMITATION OF RESPONSIBILITY**

While the Committee has the responsibilities and powers provided by this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management (with respect to whom the Committee performs an oversight function) and the external auditors.

**SCHEDULE "H"**  
**RESULTING ISSUER OPTION PLAN**

## TORINO POWER SOLUTIONS INC.

### STOCK OPTION PLAN

#### 1. PURPOSE

The purpose of this stock option plan (the “**Plan**”) is to authorize the grant to Eligible Persons (as such term is defined below) of Torino Power Solutions Inc. (the “**Corporation**”) of options to purchase common shares (“**Shares**”) in the Corporation’s capital and thus benefit the Corporation by enabling it to attract, retain and motivate Eligible Persons by providing them with the opportunity, through share options, to acquire an increased financial interest in the Corporation.

#### 2. DEFINITIONS AND INTERPRETATION

(a) The following terms have the meaning set out below:

(i) “**Acceleration Event**” means:

- (A) a consolidation, merger, amalgamation, arrangement, plan or scheme of arrangement or other reorganization or acquisition involving the Corporation or any of its Related Entities and another Person or entity, as a result of which the holders of Shares prior to the completion of such transaction or event hold less than 50% of the outstanding equity securities of the successor entity (on a fully-diluted basis) after completion of the transaction (which, for greater certainty, does not include any treasury issuance of securities of the Corporation);
- (B) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets (including rights, licenses or properties) of the Corporation and/or any of its Related Entities that have an aggregate book value greater than 30% of the book value of the assets (including rights and properties) of the Corporation on a consolidated basis to any other Person or entity, other than a disposition to a Related Entity of the Corporation in the course of a reorganization of the Corporation and its Related Entities;
- (C) the adoption of a resolution to wind-up, dissolve or liquidate the Corporation;
- (D) any Person, entity or group of Persons or entities acting jointly or in concert (collectively, an “**Acquiror**”) acquires, or acquires control (including, without limitation, the right to vote or direct the voting) of, voting securities which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and affiliates of the Acquiror to vote (or direct the voting of) 40% or more of the votes attached to all of the Corporation’s

outstanding voting securities which may be voted to elect directors of the Corporation (regardless of whether a meeting has been called to elect directors);

(E) the replacement by way of election or appointment at any time of one-half or more of the total number of the then incumbent members of the Board, unless such election or appointment is approved by 50% or more of the Board in office immediately preceding such election or appointment in circumstances where such election or appointment is to be made other than as a result of a dissident public proxy solicitation, whether actual or threatened; or

(F) the Board (being the full Board and not a committee) adopts a resolution to the effect that an Acceleration Event (as defined in this Plan), has occurred or is imminent.

(ii) **"Affiliate"** means "affiliate" as defined in NI 45-106.

(iii) **"Blackout Period"** has the meaning ascribed thereto in Section 8.

(iv) **"Board"** means the board of directors of the Corporation, or any committee of the board of directors of the Corporation (which may be a single director) to which the duties of the board of directors under this Plan are delegated.

(v) **"Company"** means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

(vi) **"Consultant"** means "consultant" as defined in NI 45-106.

(vii) **"Corporation"** means Torino Power Solutions Inc., and includes any successor corporation thereto.

(viii) **"CSE"** means the Canadian Securities Exchange.

(ix) **"Eligible Person"** means any executive officer or director, Employee, Consultant, or Investor Relations Person of the Corporation or its Related Entities.

(x) **"Employee"** means:

(A) an individual who is considered an employee of the Corporation or its Related Entities under the *Income Tax Act* (Canada) or applicable employment law in the jurisdiction in which the individual resides or is employed;

(B) an individual who works full-time for the Corporation or Related Entities providing services normally provided by an employee and



who is subject to the same control and direction by the Corporation or its Related Entities over the details and methods of work as an employee of the Corporation or its Related Entities, but for whom income tax deductions are not made at source; or

(C) an individual who works for the Corporation or its Related Entities on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or any of its Related Entities over the details and methods of work as an employee of the Corporation or its Related Entities, but for whom income tax deductions are not made at source.

(xi) **“Exchanged Share”** means a security that is exchanged for a Share in an Acceleration Event.

(xii) **“Exchanged Share Price”** means the product of the Share to Exchanged Share ratio multiplied by the five day volume weighted average price of the Exchanged Shares on an exchange for the period ending one day prior to the effective time of the Acceleration Event, or, in the case of Exchanged Shares that are not listed or quoted for trading, the fair value of those Exchanged Shares, as determined by the Board, in its sole discretion, as of the day immediately preceding the effective time of the Acceleration Event.

(xiii) **“Exercise Price”** has the meaning ascribed thereto in Section 7.

(xiv) **“In-The-Money Amount”** means: (a) in the case of an Acceleration Event in which the holders of Shares will receive only cash consideration, the difference between the Exercise Price of an option and the cash consideration paid per Share pursuant to that Acceleration Event; (b) in the case of an Acceleration Event in which the holders of Shares will receive Exchanged Shares, the difference between the Exercise Price of an option and the Exchanged Share Price; or (c) in the case of an Acceleration Event in which the holders of Shares will receive cash consideration and Exchanged Shares per Share, the difference between the Exercise Price of an option and the sum of the cash consideration paid per Share plus the Exchanged Share Price.

(xv) **“Investor Relations Activities”** means activities or oral or written communications, by or on behalf of the Corporation or a shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

(A) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:

- (1) to promote the sale of products or services of the Corporation; or
  - (2) to raise public awareness of the Corporation;
    - that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
  - (B) activities or communications necessary to comply with the requirements of:
    - (1) applicable securities laws, policies or regulations;
    - (2) the rules, and regulations of the stock exchange on which the Corporation's securities are listed or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;
  - (C) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:
    - (1) the communication is only through the newspaper, magazine or publication; and
    - (2) the publisher or writer received no commission or other consideration other than for acting in the capacity of publisher or writer; or
  - (D) activities or communications that may be otherwise specified by the stock exchange on which the Corporation's securities are listed.
- (xvi) **"Investor Relations Person"** means a Person retained to provide Investor Relations Activities (as defined herein or in CSE policies).
  - (xvii) **"NI 45-106"** means National Instrument 45-106 – *Prospectus Exemptions*.
  - (xviii) **"Optioned Shares"** has the meaning given to it in Section 9.
  - (xix) **"Permitted Assign"** means "permitted assign" as defined in NI 45-106.
  - (xx) **"Person"** means a Company or individual.
  - (xxi) **"Plan"** has the meaning given to it in Section 1.
  - (xxii) **"Related Entity"** means "related entity" as defined in NI 45-106.
  - (xxiii) **"related person"** means:

- (A) a director or executive officer of the Corporation or its Related Entities;
- (B) an associate (as defined under applicable securities laws) of a director or executive officer of the Corporation or its Related Entities; or
- (C) a Permitted Assign of a director or executive officer of the Corporation or its Related Entities.

(xxiv) “**Shares**” has the meaning ascribed thereto in Section 1.

(xxv) “**subsidiary**” means a corporation which is a subsidiary of the Corporation, as defined under the *Securities Act* (Ontario).

(xxvi) “**TSXV**” means the TSX Venture Exchange.

- (b) Certain terms defined herein that are defined in the policies of the CSE are included herein with non-substantive modifications for ease of interpretation. If there is any inconsistency of a substantive nature between the definitions in the policies of the CSE and the definitions in this Plan, including as a result of amendments to the policies of the CSE, the definitions in this Plan shall be deemed to be amended to make the definitions herein and therein substantively consistent.
- (c) Except as otherwise provided in this Plan, any reference in this Plan to a statute, or to a regulation, instrument or rule made pursuant to a statute, or to the rules, policies or regulations of a stock exchange or other regulatory entity refers to such statute, regulation, instrument or rule, or to such rules, policies or regulations of a stock exchange or other regulatory entity, each as the same may have been or may from time to time be amended or re-enacted.
- (d) This Plan is to be governed by and interpreted in accordance with the laws of the Province of Ontario.

### 3. **ADMINISTRATION**

- (a) The Plan shall be administered by the Board or a committee (which may be a single director) established by the Board for that purpose. Subject to approval of the granting of options by the Board, the Corporation shall grant options under the Plan.
- (b) Subject to the provisions of this Plan, the Board has the authority: (i) to grant options to Eligible Persons; (ii) to determine the terms, including the Exercise Price, limitations, restrictions and conditions, if any, upon such grants and such options; (iii) to adopt, amend and rescind such regulations relating to this Plan as it may from time to time deem advisable, subject to required prior approval by any relevant stock exchanges or any applicable regulatory authority; (iv) to construe and interpret the Plan and all option agreements entered into thereunder; (v) to define the terms used in any regulations; and (vi) to make all

other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable, including correcting any defect or reconciling any inconsistency in the grant of options to the extent as is deemed necessary or advisable to carry out the purposes of the Plan. The Board's regulations, interpretations and determinations will be conclusive and binding upon all Eligible Persons and optionees (including their legal personal representatives and beneficiaries).

#### 4. **SHARES SUBJECT TO PLAN**

- (a) Subject to adjustment under the provisions of Section 15 hereof, the aggregate number of Shares available for issuance under the Plan will not exceed such number of Shares as is equal to 15% of the total number of Shares issued and outstanding from time to time.
- (b) If any option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of which the option was not exercised shall be available for the purposes of the Plan. Any exercises of options will make new grants available under the Plan, effectively resulting in a 're-loading' of the number of options available for grant under the Plan.
- (c) The Corporation shall not, upon the exercise of any option, be required to issue or deliver any Shares prior to, as applicable, (i) the admission of such shares to listing on any stock exchange on which the Shares may then be listed, and (ii) the completion of such registration or other qualification of such Shares under any law, rules or regulation as the Corporation shall determine to be necessary or advisable. If any Shares cannot be issued to any optionee for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any Exercise Price paid to the Corporation shall be returned to the optionee.

#### 5. **ELIGIBILITY**

Options shall be granted only to Eligible Persons or, with the approval of the Board, to any "Permitted Assign" of an Eligible Person. The Board shall have full and final authority to determine the persons who are to be granted options under the Plan and the number of Shares subject to each option.

#### 6. **LIMITS WITH RESPECT TO INVESTOR RELATIONS PERSONS**

If, and so long as, the Corporation is listed on the CSE, the aggregate number of Shares issued or issuable to Persons providing "Investor Relations Activities" (as defined herein and in CSE policies) as compensation within a 12-month period, shall not exceed 1% of the total number of Shares then outstanding.

#### 7. **EXERCISE PRICE**

- (a) The exercise price (the "**Exercise Price**") for the Shares under each option shall be determined by the Board and shall not be less than the fair market value of the Shares on the date of grant of the option (referred to herein as the "**market price**"). The "market price" of the Shares shall mean the prior trading day's closing price for the Shares on the stock exchange on which the majority of the

trading in the Shares takes place, and where there is no such closing price or trade on the prior trading day, "market price" shall mean the average of the daily high and low board lot trading prices of the Shares on the stock exchange on which the majority of the trading in the Shares takes place for the five (5) immediately preceding trading days.

- (b) Notwithstanding the foregoing, in the event that Shares:
  - (i) are listed on the CSE, the Exercise Price shall not be lower than the greater of the closing market price of the Shares on (A) the trading day prior to the grant, and (B) the date of grant of the options;
  - (ii) are listed on the TSXV, the Exercise Price may be the market price less any discounts from the market price allowed by the TSXV, subject to the minimum exercise price allowed by the TSXV; and
  - (iii) are not listed on any exchange and do not trade on any dealing network, the market price will be determined by the Board.
- (c) In addition to any other regulatory approvals, and only if a reduction in the Exercise Price is permitted under applicable rules of the stock exchange on which the shares are listed, the approval of disinterested shareholders will be required for any reduction in the Exercise Price of a previously granted option to a related person of the Corporation.

## 8. **TERM OF OPTIONS**

- (a) Subject to the provisions of this Section 8 and Sections 10, 12 and 13 below, the period within which an option may be exercised shall be determined by the Board at the time of granting the options provided, however, that all options shall not be granted for a term exceeding ten years from the date of the option grant.
- (b) Notwithstanding the foregoing, in the event that the expiry date of an option falls within a trading blackout or similar restricted trading period imposed by the Corporation (a "**Blackout Period**"), and neither the Corporation nor the optionee is subject to a cease trade order in respect of the Corporation's securities, then the expiry date of such option shall be automatically extended to the 10th business day following the end of the Blackout Period.
- (c) On the expiry date of any option granted under the Plan, and subject to any extension of such expiry date permitted in accordance with the Plan, such option hereby granted shall forthwith expire and terminate and be of no further force or effect whatsoever as to such of the optioned Shares in respect of which the option has not been exercised.

## 9. **EXERCISE OF OPTIONS**

Subject to the provisions of the Plan and the particular option, and subject to any regulations determined by the Board an option may be exercised from time to time by delivering to the Corporation at its head office a written notice of exercise specifying the number of Shares with respect to which the option is being exercised (the "**Optioned Shares**") and accompanied

by payment in cash or certified cheque for the full amount of the purchase price of the Shares then being purchased. Upon receipt of a certificate of an authorized officer directing the issue of Shares purchased under the Plan, the transfer agent is authorized and directed to issue and countersign share certificates for the Optioned Shares in the name of such optionee or the optionee's legal personal representative or as may be directed in writing by the optionee's legal personal representative. Certificates for such Optioned Shares shall be issued and delivered to the optionee within a reasonable time following the receipt of such notice and payment.

#### **10. VESTING RESTRICTIONS**

Options issued under the Plan may vest and become exercisable at the discretion of the Board provided that if required by any stock exchange on which the Shares trade options of a particular type or issued to a particular class of optionee shall vest in a manner that is compliant with the rules of such stock exchange. Any vesting restrictions shall be set out in written option agreement, substantially in the form attached hereto as Exhibit A.

#### **11. EVIDENCE OF OPTIONS**

Each option granted under the Plan shall be embodied in a written option agreement, substantially in the form attached hereto as Exhibit A, issued by the Corporation to the optionee which shall give effect to the provisions of the Plan.

#### **12. TERMINATION; CESSATION OF PROVISION OF SERVICES**

- (a) Subject to Section 13 below, if any optionee ceases to be an Eligible Person for any reason, other than as a result of having been dismissed for cause or as a result of the optionee's death, such optionee shall have the right for a period of 90 days (or until the normal expiry date of the option rights of such optionee, if earlier) from the date of ceasing to be an Eligible Person to exercise the options of such optionee, to the extent they were exercisable on the date of ceasing to be an Eligible Person, subject to extension by the Board to a maximum of one year with approval from the stock exchange on which the Shares trade, where required and if permitted. Upon the expiration of such 90-day (or up to one year) period all unexercised options of that optionee shall immediately become terminated and shall lapse notwithstanding the original term of option granted to such optionee under the Plan.
- (b) If an optionee ceases to be an Eligible Person as a result of having been dismissed from any such position for cause, all unexercised options of that optionee under the Plan shall immediately terminate and shall lapse, notwithstanding the original term of the option granted to such optionee under the Plan.

#### **13. DEATH OF OPTIONEE**

In the event of the death of an optionee during the currency of the optionee's option, the option theretofore granted to the optionee shall vest and be exercisable within, but only within, the period of one year next succeeding the optionee's death (unless such period is extended by the Board with approval from the stock exchange on which the Shares trade where required and if permitted) or until the normal expiry date of the option rights of such optionee, if earlier.

14. **NON-ASSIGNABILITY AND NON-TRANSFERABILITY OF OPTION; TERMINATION OF OPTIONS**

- (a) Options are personal to each optionee. An option granted under the Plan shall be non-assignable and non-transferable by an optionee otherwise than by will or by the laws of descent and distribution, and such option shall be exercisable, during an optionee's lifetime, only by the optionee. Subject to applicable laws and prior Board approval, transfers will be permitted to Permitted Assigns.
- (b) The Board may, with the consent of an optionee, cancel any outstanding option.

15. **ADJUSTMENTS IN SHARES SUBJECT TO PLAN**

- (a) In the event of a reorganization, recapitalization, stock split, stock dividend, combination of Shares, subdivision, merger, amalgamation, consolidation, recapitalization, rights offering or any other change in the capital, corporate structure or Shares:
  - (i) the aggregate number and kind of shares available under the Plan shall be appropriately adjusted; and
  - (ii) the Board will make, subject to any prior approval required of relevant stock exchanges or other applicable regulatory authorities, an appropriate substitution or adjustment in (A) the exercise price of any unexercised options under this Plan; (B) the number or kind of shares or other securities reserved for issuance pursuant to this Plan; and/or (iii) the number and kind of shares subject to unexercised options granted under this Plan (and that would be issued to an optionee on such exercise);

provided, however, that no substitution or adjustment will obligate the Corporation to issue or sell fractional Shares.

- (b) The options granted under the Plan may contain such provisions as the Board may determine with respect to adjustments to be made in the number and kind of shares covered by such options and in the Exercise Price in the event of any such change. If there is a reduction in the Exercise Price of the options of a related person of the Corporation, the Corporation will be required to obtain approval from disinterested shareholders and any other applicable regulatory approvals.
- (c) In the event of the reorganization of the Corporation or the amalgamation, merger or consolidation of the Corporation with another Person, the Board may make such provision, including changes to the terms and conditions of outstanding options, for the protection of the rights of optionees as the Board in its discretion deems appropriate, including as set out in Section 16, but subject to any restrictions herein or of any applicable law or regulatory authority. The determination of the Board, as to any adjustment or as to there being no need for adjustment, will be final and binding on all Eligible Persons and optionees.

16. **ACCELERATION EVENTS**

- (a) If at any time when an option granted under this Plan remains unexercised with respect to any Optioned Shares:
- (i) the Corporation seeks approval from its shareholders for a transaction which, if completed, would constitute an Acceleration Event; or
  - (ii) a third party makes a bona fide formal offer or proposal to the Corporation or its shareholders which, if accepted, would constitute an Acceleration Event,

the Corporation shall notify the optionee in writing of such transaction, offer or proposal as soon as practicable and, provided that the Board has determined that no adjustment shall be made pursuant to Section 15 hereof, (i) the Board may permit the optionee to exercise the option granted under this Plan, as to all or any of the Optioned Shares in respect of which such option has not previously been exercised (regardless of any vesting restrictions), during the period specified in the notice (but in no event later than the expiry date of the option), so that the optionee may participate in such transaction, offer or proposal; and (ii) the Board may accelerate the expiry time for the exercise of the said option and may also accelerate the time for the fulfilment of any conditions or restrictions on such exercise. For greater certainty, upon an Acceleration Event, optionees shall not be treated any more favourably than shareholders with respect to the consideration that the optionees may be entitled to receive for their Shares.

- (b) Further, the Board, in its sole discretion, may authorize and implement any one or more of the following additional courses of action in the event of an Acceleration Event:
- (i) The Board may terminate without any payment or other consideration, any options not exercised or surrendered by the effective time of the Acceleration Event.
  - (ii) The Board may cause the Corporation to offer to acquire from each optionee his or her options for a cash payment equal to the In-The-Money Amount, and any options not so surrendered or exercised by the effective time of the Acceleration Event will be deemed to have expired.
  - (iii) The Board may require or cause that an option granted under the Plan be exchanged for an option to acquire, for the same aggregate consideration, that number and type of securities as would be distributed to the optionee in respect of the Shares issued to the optionee had he or she exercised the option prior to the effective time of the Acceleration Event, provided that any such replacement option must provide that it survives for a period of not less than one year from the effective time of the Acceleration Event, regardless of the continuing directorship, officership or employment of the optionee. The exercise price for a substituted option following the Acceleration Event shall be the amount as the Board may determine as would provide the optionee with an equal economic result (assuming the optionee exercised the substituted option



immediately after the Acceleration Event but not at any later time) as the optionee would have obtained had such optionee exercised the option immediately prior to the Acceleration Event.

- (c) For greater certainty, and notwithstanding anything else to the contrary contained in the Plan, the Board shall have the power, in its sole discretion, in connection with any Acceleration Event which may occur or has occurred, to make such arrangements as it shall deem appropriate for the exercise of outstanding options including, without limitation, to take actions as contemplated above which shall be deemed a term of all options. If the Board exercises such power, the options shall be deemed to permit the exercise thereof in whole or in part by the optionee at any time or from time to time as determined by the Board prior to or in conjunction with completion of the Acceleration Event.
- (d) If the Board exercises its discretion to accelerate expiry dates and/or the vesting of any or all options, the Board may determine that any exercise will, until the completion of such Acceleration Event, be conditional. In such case, an optionee that wishes to exercise his or her options, must deliver an exercise notice together with the aggregate Exercise Price in the manner specified in this Plan, which will each be held in trust by the Corporation. If the Acceleration Event is completed at the time specified therein (as the same may be extended in accordance with applicable law), the exercise will be deemed to be unconditional and the aggregate Exercise Price will be applied to the purchase of shares, which shall be deemed to occur immediately prior to the completion of the Acceleration Event. If the Acceleration Event is not completed at the time specified therein (as the same may be extended in accordance with applicable law), the exercise notice and the aggregate exercise price will be returned to the optionee. The Board may make such other modifications to the Plan in order to facilitate the conditional exercise and participation by optionees in the Acceleration Event as may be necessary or advisable. If the Acceleration Event is not completed within the time specified therein (as the same may be extended in accordance with applicable law), the options that vested pursuant to this provision will be reinstated as unvested options and the original terms applicable to such options will apply.
- (e) No action taken by the Board under this Section 16 shall be considered an amendment to the terms of an option but shall be made pursuant to the terms of such options.

## **17. EMPLOYMENT**

Nothing contained in the Plan shall confer upon any optionee any right with respect to employment or continuance of employment with the Corporation or any Related Entity, or interfere in any way with the right of the Corporation, or any Related Entity, to terminate the optionee's employment at any time. Participation in the Plan by an optionee is voluntary.

## **18. NO SHAREHOLDER RIGHTS PRIOR TO EXERCISE**

An optionee shall have no rights whatsoever as a shareholder in respect of any of the Optioned Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Optioned Shares in respect of which the optionee shall have

exercised the option to purchase hereunder and which the optionee shall have actually taken up and paid for, and continues to hold.

#### **19. TAX MATTERS**

The Corporation shall have the power and the right to deduct or withhold, or require an optionee to remit to the Corporation, the required amount to satisfy federal, provincial and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan, including the grant or exercise of any option granted under the Plan. With respect to any required withholding, the Corporation shall have the irrevocable right to, and the optionee consents to, the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to the optionee (whether arising pursuant to the optionee's relationship as a director, officer, employee or consultant of the Corporation or otherwise), or may make such other arrangements that are satisfactory to the optionee and the Corporation. In addition, the Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Shares issuable upon exercise of the options as it determines are required to be sold by the Corporation, as trustee, to satisfy any withholding obligations net of selling costs. The optionee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares issuable upon exercise of the options and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Shares issuable upon exercise of the options

#### **20. AMENDMENT AND TERMINATION OF THE PLAN**

- (a) Subject to any requisite shareholder and regulatory approvals (including any applicable stock exchange approvals) including as set forth below, the Board may, from time to time, amend or revise the terms of the Plan or may discontinue the Plan at any time; provided, however, that no such right may, without the consent of the optionee, in any manner adversely affect his or her rights under any option theretofore granted under the Plan.
- (b) Subject to Sections 20(c) and 20(e) below, the Board may from time to time, in its sole discretion and without the approval of the shareholders or optionees make any amendments to this Plan and/or any options that it deems necessary or advisable, including without limitation:
  - (i) to the provisions of the Plan respecting the persons eligible to receive options;
  - (ii) to the terms or conditions of vesting applicable to any option;
  - (iii) to accelerate the expiry date or change the termination provisions of an option;
  - (iv) to the adjustment provisions of the Plan;
  - (v) to the Plan or any options as necessary to comply with, satisfy or address applicable laws or regulatory requirements;

- (vi) of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan or correct any grammatical or typographical errors;
  - (vii) to the mechanics of exercise of the options;
  - (viii) respecting the administration of the Plan; and
  - (ix) any other amendment to the Plan or any options that does not require shareholder approval under the rules, regulations and policies of any applicable stock exchange.
- (c) Notwithstanding Section 20(b), approval of the shareholders of the Corporation will be required for amendments to:
- (i) increase the percentage of Shares issuable under the Plan;
  - (ii) add any financial assistance provision to, or change the assignment and transferability provisions of, the Plan;
  - (iii) extend the expiry date of any option(s);
  - (iv) reduce the exercise price of any option(s) or otherwise effectively re-price any option(s) to a lower price;
  - (v) Section 20(b) or 20(c); or
  - (vi) that otherwise require shareholder approval under applicable laws or the rules, regulations and policies of any applicable stock exchange.
- (d) In addition, any amendment to this Plan or any options that is adverse or detrimental to holders of existing options and is not required by applicable laws or regulations (as determined by the Board in its sole discretion) shall, unless it is consented to by such holders, only apply to options granted after the effective date of such amendment.
- (e) The Company shall additionally obtain requisite shareholders approval in respect of amendments to the Plan to the extent such approval is required by any applicable stock exchange or any applicable laws or regulations. Amendments that are not permitted by applicable law or any applicable stock exchange shall not be made.
- (f) If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Corporation or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

## 21. **US PERSONS**

Any grant of an option to a U.S. person shall be subject to Exhibit B.

**22. EFFECTIVE DATE OF THE PLAN**

The Plan becomes effective on the date of its approval by the shareholders of the Corporation.

**EXHIBIT A**

**TORINO POWER SOLUTIONS INC.**

**OPTION AGREEMENT**

Notice is hereby given that effective the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the "Effective Date"), Torino Power Solutions Inc. (the "Corporation") has granted to \_\_\_\_\_, an option to acquire \_\_\_\_\_ common shares ("Shares") exercisable up to 5:00 p.m. Toronto Time on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the "Expiry Date") at an exercise price of C\$\_\_\_\_\_ per Share.

The Shares may be acquired as follows:

*[Insert vesting terms]*

The grant of the Option evidenced hereby is made subject to the terms and conditions of the Corporation's Stock Option Plan, the terms and conditions of which are hereby incorporated herein.

To exercise your Option, deliver a written notice specifying the number of Shares you wish to acquire, together with cash or a certified cheque payable to the Corporation for the aggregate exercise price, to the Corporation. A certificate for the Shares so acquired will be issued by the transfer agent as soon as practicable thereafter.

**TORINO POWER SOLUTIONS INC.**

\_\_\_\_\_  
Authorized Signatory

**EXHIBIT B**  
**SECURITIES LAWS**

Neither the options which may be granted pursuant to the provisions of the Plan nor the Shares which may be purchased pursuant to the exercise of options have been registered under the United States Securities Act of 1933 (the U.S. Act), or under any securities law of any state of the United States of America. Accordingly, any optionee who is a "U.S. person" or who is granted an option in a transaction which is otherwise subject to the U.S. Act or the securities laws of any state of the United States of America shall represent, warrant, acknowledge and agree in the agreement containing the option granted to the optionee that:

- (a) the optionee is acquiring the option and any Shares acquired upon the exercise of such Option as principal and for the sole account of the optionee;
- (b) in granting the Option and issuing the Shares to the optionee upon the exercise of such Option, the Company is relying on the representations and warranties of the optionee contained in the agreement relating to the option to support the conclusion of the Corporation that the granting of the option and the issue of Shares upon the exercise of such option do not require registration under the U.S. Act or to be qualified under the securities laws of any state of the United States of America;
- (c) each certificate representing Shares issued upon the exercise of such option shall bear the following legends:

"THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), AND MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (C) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION, PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

"THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT GOOD DELIVERY OF THE COMMON SHARES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE.

A CERTIFICATE WITHOUT A LEGEND MAY BE OBTAINED FROM THE REGISTRAR AND TRANSFER AGENT FOR THE COMMON SHARES OF THE CORPORATION IN CONNECTION WITH A SALE OF THE COMMON SHARES REPRESENTED HEREBY UPON DELIVERY OF THIS CERTIFICATE AND AN EXECUTED DECLARATION BY THE SELLER, IN A FORM SATISFACTORY TO THE REGISTRAR AND TRANSFER AGENT AND THE CORPORATION, TO THE EFFECT THAT SUCH SALE IS BEING MADE IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided that if such Shares are being sold outside the United States of America in compliance with the requirements of Rule 904 of Regulation S under the U.S. Act the foregoing legends may be removed by providing a written declaration by the holder to the registrar and transfer agent for the Shares to the following effect:

“The undersigned (a) represents and warrants that the sale of the securities of Torino Power Solutions Inc. (the “**Corporation**”) to which this declaration relates is being made in compliance with Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and (b) certifies that (1) the undersigned is not an affiliate of the Corporation as that term is defined in the U.S. Securities Act, (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the undersigned and any person acting on behalf of the undersigned reasonably believe that the buyer was outside the United States (b) the transaction was executed on or through the facilities of [the Canadian Securities Exchange] and neither the undersigned nor any person acting on behalf of the undersigned knows that the transaction has been prearranged with a buyer in the United States, and (3) neither the undersigned nor any affiliate of the undersigned nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.”;

- (d) other than as contemplated by subsection (c) hereof, prior to making any disposition of any Shares acquired pursuant to the exercise of such option which might be subject to the requirements of the U.S. Act, the optionee shall give written notice to the Corporation describing the manner of the proposed disposition and containing such other information as is necessary to enable counsel for the Corporation to determine whether registration under the U.S. Act or qualification under any securities laws of any state of the United States of America is required in connection with the proposed disposition and whether the proposed disposition is otherwise in compliance with such legislation and the regulations thereto;
- (e) other than as contemplated by subsection (c) hereof, the optionee will not attempt to effect any disposition of the Shares owned by the optionee and acquired pursuant to the exercise of such option or of any interest therein which might be subject to the requirements of the U.S. Act in the absence of an effective registration statement relating thereto under the U.S. Act or an opinion of counsel satisfactory in form and substance to counsel for the Corporation that such disposition would not constitute a violation of the U.S. Act or any securities laws of any state of the United States of America and then will only dispose of such Shares in the manner so proposed; and
- (f) the effect of these restrictions on the disposition of the Shares acquired by the optionee pursuant to the exercise of such option is such that the optionee may not be able to sell or otherwise dispose of such Shares for a considerable length of time in a transaction which is subject to the provisions of the U.S. Act other than as contemplated above.

## US TAXATION

Notwithstanding any provision of the Plan to the contrary, the exercise price of the Shares subject to options awarded to Participants who are subject to taxation within the United States of America ("**US Participants**") will not be less than the Fair Market Value of the Shares on the date the option is granted. For purposes of this provision, "Fair Market Value" means, at any date in respect of the Shares, (i) the closing price of the Shares as reported by the stock exchange on the last trading day immediately preceding such date, or (ii) if the Shares are not listed on any stock exchange, the fair market value as determined by the Board, which in either case will be determined in a manner compliant with United States Treasury Regulation Section 1.409A - 1(b)(iv)(B).

Options granted to US Participants under the Plan are intended to be exempt from the application of U.S. Internal Revenue Code Section 409A. Therefore, any options granted to a US Participant will be construed and administered in a manner to preserve the exemption from application of U.S. Internal Revenue Code Section 409A.