



**FORM 2A**

**LISTING STATEMENT**

**in connection with the listing of KABN Systems NA Holdings Corp., the entity formed upon the reverse take-over of Torino Power Solutions Inc. by KABN Systems North America Inc.**

**Dated as at June 5, 2020**

***Neither the Canadian Securities Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover Transaction described in this Listing Statement.***

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## 1. GLOSSARY OF TERMS

Unless otherwise indicated, the following terms used in this Listing Statement and the Appendices hereto shall have the meanings ascribed to them as set forth below:

“**Amalco**” means the corporation resulting from the Amalgamation, to be named KABN Systems North America Inc.

“**Amalgamation**” means 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, resulting in the business combination of TPS and KABN, all as further described in this Listing Statement.

“**Amalco Shares**” means common shares in the capital of Amalco.

“**AML**” means anti-money laundering, referring to Canadian and United States of America 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.

“**Articles of Amalgamation**” means the articles required under the OBCA sent to the Director to give effect to the Amalgamation.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended from time to time.

“**Business Combination**” means the Consolidation and the Amalgamation, collectively.

“**Business Combination Agreement**” means the Business Combination Agreement dated as of January 13, 2020 among TPS, TPS Subco and KABN and TPS governing the terms of the Business Combination, attached as Appendix A to this Listing Statement, as amended.

“**Business Day**” means 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.

“**Card Networks**” means payment card networks.

“**Certificate of Amalgamation**” means the certificate of amalgamation for the Amalgamation issued by the Director pursuant to the OBCA.

“**Clients**” means clients of KABN Gibraltar or KABN who use KABN ID to verify the identities of their customers.

“**Companies**” means TPS, TPS Subco and KABN, as applicable.

“**Consolidation**” means the consolidation of the issued and outstanding TPS Shares on the basis of one New TPS Share for each ten existing TPS Shares issued and outstanding immediately prior to the Effective Date.

“**Core KABN Asset Sale**” means a sale (directly or indirectly) by KABN Gibraltar of KABN Global Whitelist assets.

**“Crypto KABN”** means Crypto KABN Holdings Inc., a corporation incorporated under the BCBCA.

**“CSE”** means the Canadian Securities Exchange.

**“Customers”** means individual customers of KABN Gibraltar or KABN who access and use the KABN NA Platform.

**“December 10 Private Placement”** means the private placement of 300,000 KABN 2019 Units at a subscription price of \$0.10 per KABN 2019 Unit.

**“Director”** means the director appointed under Section 278 of the OBCA.

**“Effective Date”** means the effective date of the Business Combination, being June 4, 2020.

**“Escrow Agent”** means Odyssey Trust Company, as escrow agent pursuant to the Escrow Agreement.

**“Escrow Agreement”** means the escrow agreement entered into with between the Escrow Agent, TPS and holders of the Escrow Securities, as described under Section 11 – *“Escrowed Securities”*.

**“Escrow Securities”** means the Resulting Issuer Shares and Resulting Issuer Warrants convertible into Resulting Shares being held in escrow pursuant to the Escrow Agreement.

**“Finder’s Warrant”** means a common share purchase warrant of KABN issued to certain finders in connection with the Private Placement, exercisable into a KABN Share at a price of \$0.20 per KABN Share for a period of 18 months, provided that it must be exercised should KABN Shares trade at a price of \$0.30 or greater for a period of 20 consecutive days.

**“Fundamental Change”** means a “fundamental change” within the meaning of CSE Policy 8.

**“GDPR”** means 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.

**“Gen-X”** means Generation X.

**“Gen-Y”** means Generation Y.

**“IFRS”** means International Financial Reporting Standards.

**“KABN”** means KABN Systems North America Inc., a corporation existing under the OBCA prior to completion of the Business Combination.

**“KABN 2019 Unit”** means a unit issued under tranches of a private placement completed on July 31, August 30 or December 10, 2019, at a price of \$0.10 per unit, comprising of one KABN Share and one half of one KABN 2019 Warrant.

**“KABN 2019 Warrant”** means 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, provided that

it must be exercised within 30 days should KABN Shares trade at a price of \$0.25 or greater for a period of 20 consecutive days.

**“KABN 2020 Unit”** means a unit comprising of one KABN Share and one-half of one KABN 2020 Warrant.

**“KABN 2020 Warrant”** means a common share purchase warrant of KABN 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, provided that it must be exercised should KABN Shares trade at a price of \$0.30 or greater for a period of 20 consecutive days.

**“KABN Amalgamation Resolution”** means the special resolution of the KABN Shareholders approving the Amalgamation.

**“KABN Board”** means the board of directors of KABN.

**“KABN Card”** means the KABN Prepaid Card and KABN Mobile Banking Wallet offered by KABN.

**“KABN Clients”** means the commercial clients of KABN or KABN Gibraltar.

**“KABN Customer”** or **“KABN Identify Managed Customer”** means an individual resident in Canada or the United States of America whose identity has been validated and added to the KABN Global Whitelist.

**“KABN Ecosystem”** means as defined under Section 4.2 – *“Narrative Description of the Business – Principal Products and Services”*.

**“KABN Gibraltar”** means KABN (Gibraltar) Limited, a corporation incorporated under the laws of Gibraltar.

**“KABN Global Whitelist”** means the list of all Customers that have had their identification validated and rented through KABN ID.

**“KABN ID”** means KABN’s industry grade, patent-pending biometric ID validation and verification technology.

**“KABN IP”** means intellectual property KABN uses in its business and that is licensed or sublicensed from KABN Gibraltar, as described under Section 4.3.2 – *“Narrative Description of the Business – Production and Sales – Intellectual Property”*.

**“KABN KASH”** means KABN’s loyalty program.

**“KABN License”** means 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 on May 15, 2019 pursuant to the KABN License Agreement.

**“KABN License Agreement”** means the agreement dated May 15, 2019 under which KABN licenses or sublicences certain intellectual property and know-how from or of KABN Gibraltar.

**“KABN Mobile Banking Wallet”** means a virtual wallet offered by KABN that stores account and payment card information on a mobile device.

**“KABN Options”** means stock options exercisable to acquire, following the Business Combination, Resulting Issuer Shares.

**“KABN Platform”** means the suite of services offered by KABN, including KABN ID, KABN Card, and KABN KASH.

**“KABN Shareholders”** means at the relevant time, holders of KABN Shares.

**“KABN Shares”** means the common shares in the capital of KABN.

**“KYC”** means 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.

**“Letter of Intent”** means the letter of intent dated November 21, 2019 between TPS and KABN, as re-confirmed by execution by KABN on November 25, 2019, whereby the parties agree that TPS will acquire all of the issued and outstanding KABN Shares, resulting in the fundamental change of TPS and a reverse takeover of TPS by KABN Shareholders.

**“Listing”** means the listing of the Resulting Issuer Shares on the CSE.

**“Listing Date”** means the date on which the Resulting Issuer Shares are listed for trading on the CSE.

**“Listing Statement”** means this Listing Statement of the Resulting Issuer including the Appendices hereto.

**“Name Change”** means the change of TPS’s name to “KABN Systems NA Holdings Corp.”.

**“New TPS Shares”** means the voting common shares in the capital of TPS, as constituted immediately following completion of the Consolidation.

**“Notice of Alteration”** means the notice required under the BCBCA to be sent to the Director to give effect to the Consolidation.

**“NP 46-201”** means National Policy 46-201 – *Escrow for Initial Public Offerings*.

**“OBCA”** means the *Business Corporations Act* (Ontario), as amended from time to time.

**“KABN Prepaid Card”** means the prepaid credit card offered by KABN to all KABN Identity Managed Customers.

**“Private Placement”** means the private placement of 14,490,912 KABN 2020 Units at a price per KABN 2020 Unit of \$0.15.

**“Resulting Issuer”** means KABN Systems NA Holdings Corp. (i.e. TPS and its subsidiaries following the Business Combination, on a consolidated basis, and the Name Change), and, in the case of references to matters undertaken by a predecessor in interest to the Resulting Issuer or its subsidiaries, includes each such predecessor in interest, unless the context otherwise requires after giving effect to the Business Combination.

**“Resulting Issuer Board”** means the board of directors of the Resulting Issuer.

**“Resulting Issuer Option Plan”** means the stock option plan of the Resulting Issuer, as approved by the TPS Board on February 20, 2020 and by TPS Shareholders on March 31, 2020, and attached as Appendix I to this Listing Statement.

**“Resulting Issuer Shares”** means the common shares in the capital of the Resulting Issuer.

**“Resulting Issuer Warrants”** means the outstanding TPS Warrants, KABN 2019 Warrants and KABN 2020 Warrants following the completion of the Business Combination.

**“RRIF”** means registered retirement income fund.

**“RRSP”** means registered retirement savings plan.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.

**“TPS”** means Torino Power Solutions Inc., a corporation existing under the BCBCA, being the Resulting Issuer prior to the Business Combination.

**“TPS Board”** means the board of directors of TPS prior to the Business Combination.

**“TPS Circular”** means the management information circular dated February 24, 2020, prepared in connection with the TPS Meeting.

**“TPS Fundamental Change Resolution”** means the ordinary resolution approving the Business Combination in the form attached as Schedule “A” to the TPS Circular, which was approved by TPS Shareholders at the TPS Meeting.

**“TPS Group”** means TPS and TPS Subco, collectively.

**“TPS Meeting”** means the annual and special meeting of the TPS Shareholders held on March 31, 2020 to approve, among other matters, and the TPS Fundamental Change Resolution, a new slate of five directors to replace the current directors of TPS, to be effective immediately following the completion of the Business Combination, and the Resulting Issuer Option Plan.

**“TPS Options”** means stock options exercisable to acquire TPS Shares outstanding from time to time.

**“TPS Shareholders”** means at the relevant time, the holders of TPS Shares.

**“TPS Shares”** means voting common shares in the capital of TPS prior to giving effect to the Consolidation.

**“TPS Subco”** means 2733668 Ontario Inc., a corporation existing under the OBCA prior to completion of the Business Combination, and a wholly-owned subsidiary of TPS.

**“TPS Warrants”** means common share purchase warrants of TPS with an exercise price of \$0.15 that expired on May 25, 2020

**“TSXV”** means TSX Venture Exchange.

Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.



Unless otherwise specified, all dollar amounts in this Listing Statement and the Appendices, including the symbol “\$”, are expressed in Canadian dollars.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Listing Statement 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. The Resulting Issuer believes 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 Listing Statement. The Resulting Issuer does 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 Listing Statement contains forward-looking statements pertaining to the following in respect of 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 Listing Statement.

In respect of the Resulting Issuer following the completion of the Business Combination:

- dependency of the Resulting Issuer's business on the availability to it of the KABN IP and KABN ID and related risks associated with licensed intellectual property;
- uncertainty in the Resulting Issuer's ability to continue as a going concern;
- inability to generate funds for general working capital and continuing operations;
- the Resulting Issuer'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 the Resulting Issuer's card partners, networks and issuing banks that negatively impact the Resulting Issuer's business;
- the KABN Platform may not gain the level of market acceptance needed to make the Resulting Issuer 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 the Resulting Issuer's transactions to data and privacy breaches and other cyber-attacks;
- inability of the Resulting Issuer 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 the Resulting Issuer's ability to obtain additional financing;
- the Resulting Issuer may never pay dividends;
- the Resulting Issuer's directors and officers may serve on the boards and as officers of other companies whose interests may conflict with that of the Resulting Issuer; and
- risk of greater than anticipated tax liability from unforeseeable audits of the Resulting Issuer's tax filings.
- 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 shareholder 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 Listing Statement 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 Terms in this Listing Statement.

Readers should not place undue reliance on forward-looking information and statements. Forward-looking information and statements are provided and made as of the date of this Listing

Statement and the Resulting Issuer does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

## 2. CORPORATE STRUCTURE

### 2.1 Corporate Name

The full corporate name of the Resulting Issuer is KABN Systems NA Holdings Corp. (formerly, Torino Power Solutions Inc.). The registered and records office of the Resulting Issuer is located at 885 West Georgia Street, Suite 2200, Vancouver, British Columbia V6C 3E8.

### 2.2 Incorporation

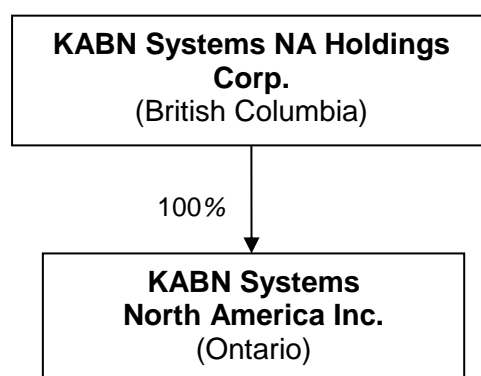
The Resulting Issuer was incorporated under the BCBCA as “Torino Ventures Inc.”, on September 10, 2014. On November 6, 2015, Torino Ventures Inc. and Smart Autonomous Solutions Inc. completed a reverse takeover transaction whereby Torino Ventures Inc. acquired all of the issued and outstanding shares of Smart Autonomous Solutions Inc. On November 12, 2015, Torino Ventures Inc. changed its name to Torino Power Solutions Inc under the BCBCA.

The year end of the Resulting Issuer is December 31.

### 2.3 Inter-corporate Relationships

KABN was incorporated under the OBCA on May 1, 2019, with its head office located at 1-7357 Woodbine Avenue, Suite 605, Markham, Ontario, L3R 6L3. Upon closing of the Business Combination, it amalgamated with TPS Subco to form Amalco, a wholly-owned subsidiary of the Resulting Issuer.

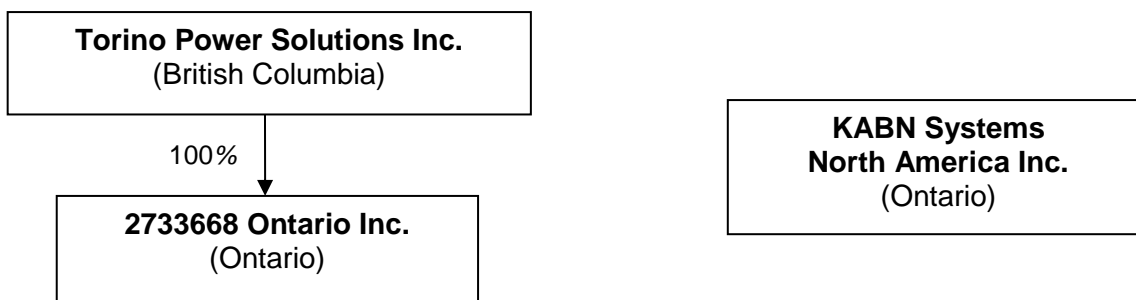
The Resulting Issuer owns 100% of the issued and outstanding shares of Amalco, which carries on the business operations previously carried on by KABN. Set forth below is the organization chart of the Resulting Issuer.



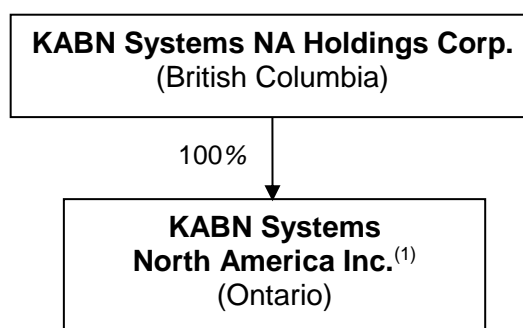
### 2.4 Requalification following a Fundamental Change

The diagrams below depict the inter-corporate relationship of the Resulting Issuer both before and after completion of the Business Combination.

#### Prior to the Business Combination



Following the Business Combination



Notes:

(1) This entity refers to Amalco, the entity resulting from the Amalgamation of KABN and TPS Subco.

## 2.5 Summary of the Business Combination

A summary of the Business Combination is set out in Section 3.2 – “*General Development of the Business*”.

## 2.6 Non-Corporate Resulting Issuers and Resulting Issuers Outside of Canada

This is not applicable to the Resulting Issuer.

### 3. GENERAL DEVELOPMENT OF THE BUSINESS

#### 3.1 General Development

##### 3.1.1 KABN Systems North America Inc.

On May 1, 2019, KABN was incorporated pursuant to the OBCA. KABN does not have any subsidiaries, past or present. KABN licenses the use of technology and know-how from KABN Gibraltar, which is a minority shareholder in KABN and is under common control with KABN by way of David Lucatch, the chair of the KABN Board and management team. KABN, through its license with KABN Gibraltar, also uses certain names and trademarks and other intellectual property of Crypto KABN, as further described in Section 4.3.2 – “*Intellectual Property – Licensed IP*”. Crypto KABN is also minority shareholder in KABN, holding a 19.01% interest in KABN on a non-diluted basis.

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 effective as of May 15, 2019.

On May 15, 2019, as part of the consideration from KABN to KABN Gibraltar under the KABN License Agreement, 32,000,000 KABN Shares were issued to KABN Gibraltar at a price of \$0.01 per KABN Share. 12,500,000 of such KABN Shares were registered in the name of KABN GibCan Inc., a wholly-owned subsidiary of KABN Gibraltar, 12,500,000 of such KABN Shares were registered in the name of Crypto KABN, and 7,500,000 of such KABN Shares were expected to be transferred to other officers, directors and consultants of KABN Gibraltar as compensation to them. As of the date of the Listing Statement 7,150,000 KABN shares has been used for the above noted purpose. For further details on the consideration payable by KABN under the KABN License Agreement and the effective issue price of such KABN Shares, please refer to Section 4.3.2 – “*Intellectual Property – Fees Payable by KABN*” of this Listing Statement.

In July, August and December of 2019, KABN completed three tranches of a private placement for aggregate gross proceeds of \$1,278,703 through the sale of 12,787,030 KABN 2019 Units at a price of \$0.10 per KABN 2019 Unit. \$25,000 of the gross proceeds was raised in the form of a convertible debenture which was converted into 357,030 KABN 2019 Units on July 30, 2019. Each KABN 2019 Unit comprises of one KABN Share and one half of one KABN 2019 Warrant with an exercise price of \$0.15 per KABN Share. The KABN 2019 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.

On July 31, 2019, KABN closed its first tranche of the above described private placement for gross proceeds of \$386,203 for 3,862,030 KABN 2019 Units. \$25,000 of the gross proceeds was raised in the form of a convertible debenture which was converted into 357,030 KABN 2019 Units on July 30, 2019.

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

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

On November 25, 2019, KABN entered into the Letter of Intent contemplating the Business Combination.

On January 13, 2020, KABN entered into the Business Combination Agreement.

Between May 20, 2020 and June 1, 2020, KABN completed a private placement of 14,490,912 KABN 2020 Units at an issue price of \$0.15 for gross proceeds of \$2,173,636.80 (including debt conversions into Units) in connection with the completion of the Business Combination.

### **3.1.2 KABN Systems NA Holdings Corp.**

The Resulting Issuer, a reporting issuer in the provinces of British Columbia, Alberta, Manitoba and Ontario, 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 (“**TPS**”) on November 13, 2016. The TPS Shares were listed on the CSE under the symbol “TPS”.

TPS’s primary business was 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.

On November 25, 2019, TPS entered into the Letter of Intent, the announcement of which led to a halt in the trading of TPS Shares on November 26, 2019.

On January 13, 2020, TPS entered into the Business Combination Agreement. The Business Combination was a Fundamental Change for TPS.

On March 31, 2020, TPS Shareholders approved at the TPS Meeting, among other things, the TPS Fundamental Change Resolution approving the Business Combination, a new slate of five directors to replace the current directors of TPS effective immediately following the completion of the Business Combination, and the Resulting Issuer Option Plan. The TPS Circular is available under TPS’s issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On June 3, 2020, TPS completed the Consolidation and Name Change. On June 4, 2020, TPS and KABN closed the Business Combination, and the name of TPS was changed to KABN Systems NA Holdings Corp.

TPS currently has no subsidiaries other than TPS Subco, which is wholly-owned by TPS.

### **3.1.3 2733668 Ontario Inc.**

2733668 Ontario Inc. (“**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 pursuant to the Business Combination Agreement.

## **3.2 Business Combination**

### Summary

The Business Combination was effected in accordance with the Business Combination Agreement. Details regarding the Business Combination including the reasons for, details of,



conditions to and effect of the Business Combination are set forth in this Listing Statement immediately below and the Appendices hereto.

The principal features of the Business Combination may be summarized as set forth below:

- (a) TPS consolidated the TPS Shares on the basis of one New TPS Share for every ten TPS Shares then issued and outstanding;
- (b) TPS changed its name to KABN Systems NA Holdings Corp.; and
- (c) TPS acquired all of the issued and outstanding KABN Shares pursuant to a three-cornered amalgamation whereby TPS Subco and KABN amalgamated to form Amalco, and upon the Amalgamation, KABN Shareholders received one New TPS Share for each one KABN Share held and Amalco will become a wholly-owned subsidiary of TPS.

Following the Business Combination, Amalco is a wholly-owned subsidiary of the Resulting Issuer. Amalco is an amalgamated corporation existing under the OBCA and is named "KABN Systems North America Inc."

#### Reasons for the Business Combination

The Business Combination 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. Recognizing the potential benefit such a transaction would bring to their respective shareholders, KABN and TPS entered into the Business Combination Agreement on January 13, 2020.

The following summary of the Business Combination Agreement is qualified in its entirety by the full text of the Business Combination Agreement, a copy of which is attached as Appendix A to this Listing Statement and is available on its issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Business Combination Agreement

In the Business Combination Agreement, TPS and KABN provided 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. All such approvals were obtained, the conditions satisfied, and the Business Combination was completed on June 4, 2020.

#### *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 contained 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 covenanted 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 was to 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 KABN 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.

### **3.3 Trends, Commitments, Events or Uncertainties**

The Resulting Issuer's business model is focused on the 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 objectives and milestones of the Resulting Issuer set out in Sections 4.1.1 and 4.1.2 of this Listing Statement. The Resulting Issuer 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 Platform consists of: (i) 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; (ii) 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 (iii) KABN KASH: a robust loyalty and customer engagement platform. The Resulting Issuer is continuing to work through enhancements to the KABN Platform and integration with its banking partners.

Companies in the financial technology industry are subject to many and varied kinds of risks and the Resulting Issuer's financial performance will be dependent upon many factors. For a detailed discussion of the risk factors, refer to Section 17 – "*Risk Factors*" of this Listing Statement.

Apart from the risks noted in Section 17 – "*Risk Factors*", the Resulting Issuer is not aware of any other trends, commitments, events or uncertainties that are reasonably likely to have a material adverse effect on the Resulting Issuer's business, financial condition or results of operations.

## **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

### **4.1 General Business of the Resulting Issuer**

The Resulting Issuer operates 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.

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: (i) 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; (ii) 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 (iii) 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.

#### 4.1.1 Business Objectives

For the forthcoming 12 months, the Resulting Issuer aims to consolidate and enhance its business through (i) securing its rights to the KABN IP, (ii) conducting corporate client onboarding and testing for the KABN ID platform, (iii) launching the KABN Card and the KABN KASH program and (iv) promoting customer growth.

#### 4.1.2 Significant Events and Milestones

To accomplish KABN’s stated business objectives, KABN will work towards the following milestones in accordance with the timelines at the anticipated costs set out below:

Objective	Milestone	Timeline	Anticipated Costs
Secure rights to the KABN IP	Finalize unencumbered KABN License rights (pay annual fee)	June 2020	\$138,000
Customer onboarding and testing in respect of the KABN ID platform	Customer onboarding and ongoing testing	June 2020 - August 2020	\$150,000
KABN Card launch	KABN Card partnership finalization and launch	July 2020 - November 2020	\$150,000
KABN KASH program launch	KABN KASH program finalization and launch	June 2020 – March 2021	\$180,000
Promote customer growth	Customer acquisition and corporate sales/corporate development (both flow through from the KABN ID program and direct KABN	June 2020 - March 2021	\$274,977

	Card and KABN KASH streams)		
Promote customer growth	Media marketing/ user engagement program launch and execution	June 2020 - March 2021	\$840,000
<b>Total</b>			<b>\$1,732,977</b>

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. Accordingly, management will retain broad discretion to implement its project development program in a manner that is consistent with sound business and operational practices.

#### 4.1.3 Total Funds Available

The Resulting Issuer has funds available to it as set forth below:

Source	Funds Available
Working Capital as of March 31, 2020	Nil
<b>Available Funds of the Resulting Issuer<sup>(1)</sup></b>	<b>\$1,992,687</b>
Expenses related to the completion of the Business Combination <sup>(2)</sup>	\$259,710
Media-Marketing/User Engagement Program	\$840,000
Payment of fees related to the KABN License	\$138,000
General and administrative costs estimated for operating 12 months <sup>(3)</sup>	\$754,977
<b>Total Unallocated</b>	<b>\$0</b>
Notes:	
(1) Net proceeds of the Private Placement.	
(2) Such expenses comprise of the costs of holding the TPS Meeting in connection with approval of the Business Combination, legal fees and the expenses budgeted for the completion of annual filings and meetings of the Resulting Issuer.	
(3) Refer to itemized breakdown in the table set out under Section 4.1.4 – “Purpose of Funds”.	

#### 4.1.4 Purpose of Funds

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 Resulting Issuer Shares, and facilitate future access by the Resulting Issuer to financing opportunities.

It is expected that the Resulting Issuer will use the total funds allocated for general and administrative costs as set forth above for the items described below:

Estimated G&A Costs for operating 12 months	Funds
Salaries / Management fees / Business Development	\$480,000

Fees payable to accounting and law firms; compliance	\$200,000
Infrastructure (web-cloud) maintenance and general corporate expenses	\$74,977
<b>Total</b>	<b>\$754,977</b>

The Resulting Issuer intends to spend the funds available to it as stated in this Listing Statement. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

## 4.2 Principal Products and Services

The Resulting Issuer, through its subsidiary, offers KABN Clients and Customers in North America a suite of financial and related services through the KABN Platform, which is built on a proprietary identity-focused compliance layer, KABN ID. The KABN Platform allows for more seamless compliance and participation in online services and opportunities and a suite of financial services.

The KABN Platform’s three 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 ID also powers the Liquid Avatar platform, which is a focused service where users create an account based around a unique, high-quality digital image avatar. Liquid Avatar emulates “wallet” and “keyring” types of services found in the real world, providing users with the ability to manage and control their digital identity and sensitive online public and private data. Liquid Avatar services are available at no-cost to consumers and revenues are generated by commission and other fees and services when a user engages with opportunities presented to them within the Liquid Avatar platform.
- KABN Card:** KABN received approval on December 17, 2019 from 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 “KABN 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. KABN 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 KABN 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.

Under the KABN License Agreement, 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.

### 4.3 Production and Sales

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 KABN 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 KABN 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 KABN 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 KABN Prepaid Card. The more transactions a cardholder makes with the KABN Prepaid Card, the more fee revenue KABN will derive.

As disclosed in Section 4.2 of this Listing Statement, under the KABN License Agreement, 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.

In addition to financial services related offering of the KABN Platform, KABN Identity Managed Customers will be offered permission-based services that allow them to participate in offers from KABN and select third parties. For example, KABN may offer KABN Customers the opportunity



to participate in surveys, promotions and contests whereby KABN 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 KABN Customer’s aggregated data, which may also provide commission or referral revenues. KABN will not be renting or selling its list of KABN Identity Managed Customers (except upon a sale of KABN or upon a sale of KABN Gibraltar or the KABN Global Whitelist). All offers will come directly through a customer portal or direct messaging, based on permissions.

Given that the KABN Identity Managed Customer, without personal disclosure, is a KYC/AML continuously monitored individual, KABN 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, KABN and the party making the offer.

#### **4.3.1 Specialized Skill 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.

#### **4.3.2 Intellectual Property**

##### Licensed IP

The key intellectual property KABN uses in its business is licensed from KABN Gibraltar (the “**KABN IP**”) pursuant to the KABN License Agreement 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 KABN design, branding, artwork and card program know-how.
- the KABN KASH know-how.

Each of the KABN trademark, the know-how for KABN Prepaid Card program and the KABN KASH program are owned by Crypto KABN, which has granted a master license to KABN Gibraltar on May 15, 2019.

##### Terms of the KABN License

On May 15, 2019, 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\$905,486 paid as of December 31, 2019. C\$325,000 of the initial fee was paid through the issuance of 32,500,000

KABN Shares to KABN Gibraltar, and US\$150,000 (C\$217,000) of the annual renewal fee of US\$250,00 due on May 1, 2020 has been waived by KABN Gibraltar, such that 18,750,000 KABN Shares were effectively issued at a price of C\$0.0216 per KABN Share and 13,750,000 KABN Shares were effectively issued at a price of C\$0.01 per KABN Share. 12,500,000 of such KABN Shares were registered in the name of KABN GibCan Inc., a wholly-owned subsidiary of KABN Gibraltar, 12,500,000 of such KABN Shares were registered in the name of Crypto KABN, and 7,500,000 of such KABN Shares were expected to be used by KABN Gibraltar as compensation to officers, consultants and directors (and transferred to such persons). As of the date of the Listing Statement 7,150,000 KABN shares has been used for the above noted purpose. KABN Gibraltar will be paid an annual renewal fee of US\$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.

### **4.3.3 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.

### **4.3.4 Employees**

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. This was extended to the closing date of the Business Combination. A formal recruitment search for a Chief Executive Officer and Chief Financial Officer is underway. Ben Kessler was appointed as interim Chief Executive Officer of the Resulting Issuer until the new Chief Executive Officer is appointed. Bryan Loree will continue to serve as interim Chief Financial Officer of the Resulting Issuer until the new Chief Financial

Officer has been appointed. A breakdown of the value that was assigned to each position is set out below.

<b>Positions</b>	<b>Value</b>
President (full-time)	\$12,000
Chief Executive Officer (part-time)	\$6,000
Chief Revenue Officer (part-time)	\$6,000
Finance Support (part-time)	\$6,000
Chief Compliance Officer (part-time)	\$6,000
All other staff (including administrative staff, a product manager and a Vice President, Development)	\$4,000

#### **4.4 Competitive Conditions and Market**

##### 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.

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.

##### 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.

#### 4.5 Bankruptcy and Similar Proceedings

There are no bankruptcies, receivership or similar proceedings against KABN, TPS, or the Resulting Issuer nor is KABN, TPS, or the Resulting Issuer 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.

#### 4.6 Asset Backed Securities

The Resulting Issuer does not have any asset-backed securities.

#### 4.7 Companies with Mineral Projects

The Resulting Issuer does not own any material mineral projects.

#### 4.8 Companies with Oil and Gas Operations

The Resulting Issuer does not have oil and gas operations.

### 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

#### 5.1 Annual Information

As the Resulting Issuer will be formed as a result of the Business Combination, it does not have historical financial statements presented on a consolidated basis. The following table provides a brief summary of the available pro-forma financial information of the Resulting Issuer as of December 31, 2019 and should be read in conjunction with the unaudited pro-forma financial statements of the Resulting Issuer attached hereto as Appendix F.

<b>Balance Sheet Data:</b>	<b>As of December 31, 2019<sup>(1)</sup></b>
Total Assets	\$3,390,191
Total Liabilities	\$525,484
Shareholders' Equity	\$2,864,707
Deficit	\$(1,795,067)
Notes:	
(1) Amounts presented reflect pro forma adjustments as further detailed in Note 3 to the unaudited pro forma consolidated financial statements attached as Appendix F to this Listing Statement, to which reference should be made for a complete summary of all assumptions underlying these amounts.	

In addition, the following table summarizes selected pro-forma consolidated financial information for the Resulting Issuer as at December 31, 2019 and should be read in conjunction with the financial statements of TPS, KABN, and the pro-forma financial statements of the Resulting Issuer attached hereto as Appendices B, C and D, respectively.

	<b>TPS (audited) as at December 31, 2019 (\$)</b>	<b>KABN (audited) as at December 31, 2019 (\$)</b>	<b>Pro Forma Adjustments (\$)</b>	<b>Resulting Issuer Pro Forma (unaudited) as at December 31, 2019 (\$)</b>
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Current Assets	13,200	299,511	1,900,517	2,213,228
Total Assets	13,200	1,476,474	1,900,517	3,390,191
Current Liabilities	39,285	486,199	Nil	525,484
Long-Term Liabilities	Nil	Nil	Nil	Nil
Shareholders' Equity (Deficit)	(26,085)	990,275	1,900,517	2,864,707

## 5.2 Quarterly Information

As the Resulting Issuer will be formed as a result of the Business Combination, it does not have historical financial statements presented on a consolidated basis. The following table provides a brief summary of the available pro-forma financial information of the Resulting Issuer as of March 31, 2020 and should be read in conjunction with the unaudited pro-forma financial statements of the Resulting Issuer attached hereto as Appendix F.

<b>Balance Sheet Data:</b>	<b>As of March 31, 2020<sup>(1)</sup></b>
Total Assets	\$3,066,017
Total Liabilities	\$646,737
Shareholders' Equity	\$2,419,281
Accumulated Deficit	\$(2,240,943)
Notes:	
(1) Amounts presented reflect pro forma adjustments as further detailed in Note 3 to the unaudited pro forma consolidated financial statements attached as Appendix F to this Listing Statement, to which reference should be made for a complete summary of all assumptions underlying these amounts.	

In addition, the following table summarizes selected pro-forma consolidated financial information for the Resulting Issuer as at March 31, 2020 and should be read in conjunction with the financial statements of TPS, KABN, and the pro-forma financial statements of the Resulting Issuer attached hereto as Appendices B and C, D and E, and F, respectively.

	<b>TPS (unaudited) as at March 31, 2020 (\$)</b>	<b>KABN (unaudited) as at March 31, 2020 (\$)</b>	<b>Pro Forma Adjustments (\$)</b>	<b>Resulting Issuer Pro Forma (unaudited) as at March 31, 2020 (\$)</b>
Current Assets	6,807	371,025	1,503,477	1,881,309
Total Assets	6,807	1,555,733	1,503,477	3,066,017
Current Liabilities	53,211	761,065	(167,540)	646,736
Long-Term Liabilities	Nil	Nil	Nil	Nil
Shareholders' Equity (Deficit)	(46,404)	794,668	1,671,017	2,419,281

### **5.3 Dividends**

The Resulting Issuer does not intend, and is not required, to pay any dividends on the Resulting Issuer Shares. 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.

### **5.4 Foreign GAAP**

The financial statements included in this Listing Statement have been, and the future financial statements of the Issuer will be, prepared in accordance with IFRS.

## **6. MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **6.1 TPS**

TPS's management's discussion and analysis for the year ended December 31, 2019 is attached as Appendix G hereto. TPS's management's discussion and analysis for 3 months ended March 31, 2020 is attached as Appendix H hereto.

### **6.2 KABN**

#### ***Annual MD&A***

KABN's management's discussion and analysis for the period from May 1, 2019 (the date of incorporation) to December 31, 2019 is set out below:

#### **Overall Performance and Results of Operations**

KABN recognized a net loss of \$613,428 for the period of incorporation to December 31, 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 \$1,278,703 through a private placement of KABN 2019 Units, including \$25,000 raised in the form of a convertible debenture which was converted during the period.

During the period from incorporation to December 31, 2019, KABN recognized revenue of \$15,277. This was on account of implementation fees for early stage clients for the KABN Platform.

KABN incurred \$168,137 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 \$18,217 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 December 31, 2019 reporting period.

KABN incurred initial agency fee, investor relations consulting fees and legal fees totaling \$346,021 in conjunction with its early stage efforts towards having its securities publicly listed and available for sale.

KABN incurred \$73,969 related to operational set up costs for the KABN Card program and related marketing and communications. KABN incurred \$28,382 for web and infrastructure, administrative and travel costs. KABN incurred \$4,546 in bad debt expense from a client that had to delay their program to an indeterminable time.

#### 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 December 31, 2019 as a complete calendar quarter end has not taken place.

#### Capital Resources and Liquidity

KABN had negative working capital of \$161,524 as at December 31, 2019 on account of the license fee obligation that could only be partially satisfied in addition to KABN being in a loss position.

KABN closed \$386,203 in its first tranche of a private placement of 3,862,030 KABN 2019 Units on July 31, 2019 for a price of \$0.10 per KABN 2019 Unit. Each KABN 2019 Unit comprises of one KABN Share and one half of one KABN 2019 Warrant at an exercise price of \$0.15 per common share. The KABN 2019 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 2019 Units at a price of \$0.10 per KABN 2019 Unit 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 2019 Units at a price of \$0.10 per KABN 2019 Unit on December 10, 2019.

KABN anticipates having \$1,732,977 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 \$1,732,977. KABN estimates payment on annual license fees of approximately \$138,000. In addition, KABN also anticipates that it will be required to incur approximately \$754,977 in general and administrative costs and \$840,000 in media/marketing and its user engagement program. 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 December 31, 2019, \$122,755 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 December 31, 2019. On the first anniversary of the KABN License Agreement, an amount of US\$100,000, will be due to KABN Gibraltar. On each anniversary thereafter, an annual license of US\$250,000 will be due to KABN Gibraltar. Royalties of 14% of gross margins of KABN are payable to KABN Gibraltar calculated on annual calendar results.

There is no cash compensation to management by KABN for the period ending December 31, 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, after which time full time staff will be added and an aggregate fee of \$40,000 per month will be incurred.

#### Proposed Transactions

On January 13, 2020, KABN and TPS entered into the Business Combination Agreement pursuant to which TPS will acquire all of the issued and outstanding KABN Shares in exchange for New TPS Shares on a one-for-one basis. Immediately prior to the share exchange, TPS will complete the Consolidation. The proposed transaction will result in a reverse takeover of TPS by the KABN and will have no effect on the financial condition, financial performance and cash flows of KABN. The proposed transaction is subject to shareholder and regulatory approval.

#### 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 adopted this standard and does not believe that the change in the standard adopted will have a material impact 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.

#### 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 December 31, 2019.

#### Description of Securities Outstanding

The KABN has one class of shares outstanding, being the KABN Shares. As of December 31, 2019, 45,287,030 KABN Shares are issued and outstanding. KABN also has 6,393,515 outstanding KABN 2019 Warrants exercisable at a price of \$0.15 per share for a period expiring between January 31, 2021 and June 10, 2021.

## ***Interim MD&A***

KABN's management's discussion and analysis for the three months ended March 31, 2020 is set out below:

### Overall Performance and Results of Operations

KABN recognized a net loss of \$425,107 for the three-month period ended March 31, 2020. The main drivers of the net loss were legal and audit fees, amortization of intangibles, consulting and management fees, and marketing and communications. KABN raised \$150,000 through a short-term loan and \$34,500 in cash in advance of a closing of private placement of common share units that occurred subsequent to the three month period ended March 31, 2020.

During the three-month period ended March 31, 2020, KABN recognized revenue of \$80 on account of transaction fees for an early stage KABN ID client.

KABN incurred \$67,255 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 loss of \$4,856 is entirely related to the exchange fluctuation between the Canadian dollar and the United States dollar during the three-month period ended March 31, 2020 related to the balance fluctuations on the fees payable to KABN Gibraltar on account of the exclusive license.

KABN incurred legal fees and audit fees, consulting fees and marketing/communication expenses totaling \$270,165. These expenses relate to activities leading towards having KABN's securities publicly listed and available for sale and the related marketing and communications for the Company.

KABN incurred \$60,000 related to management fees to KABN Gibraltar for fees commencing February 15, 2020 after the nine months of cash free services had expired.

KABN incurred \$15,000 in loan fees and \$1,430 in interest expenses related to the short-term loan originated during the three month period ended March 31, 2020.

KABN incurred \$6,481 for web and infrastructure and administrative costs.

### Comparative Quarterly Results

KABN was incorporated on May 1, 2019 and thus there is no comparative period for quarterly results.

### Capital Resources and Liquidity

KABN had negative working capital of \$390,040 as at March 31, 2020. The Company is an early state entity with little revenue while incurring costs in an effort to complete financing efforts and the costs to enable trading of its securities on a public exchange. As the Company completes its financing efforts working capital is expected to improve.

KABN anticipates having \$1,732,977 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 \$1,732,977. KABN estimates payment on annual license fees of approximately \$138,000. In addition, KABN also anticipates that it will be required to incur

approximately \$754,977 in general and administrative costs and \$840,000 in media/marketing and its user engagement program. 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 March 31, 2020, the initial license fee outstanding to KABN Gibraltar has been repaid. License fees of \$1,345,100 (US\$1,000,000) were recorded as a liability to KABN Gibraltar. On the first anniversary of the KABN License Agreement, an amount of US\$100,000 will be due to KABN Gibraltar. On each anniversary thereafter, an annual license of US\$250,000 will be due to KABN Gibraltar. Royalties of 14% of gross margins of KABN are payable to KABN Gibraltar calculated on annual calendar results.

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 for no cash consideration. From February 15, 2020 to the date of the finalization of the reverse takeover transaction with TPS will be capped at \$40,000 per month. As of March 31, 2020, \$58,795 is due to KABN Gibraltar on account of management fees. KABN is in the process of considering direct hires which may be from partly from KABN Gibraltar in the absence or prior to any new hires made outside the related party group.

#### Proposed Transactions

On January 13, 2020, KABN and TPS entered into the Business Combination Agreement pursuant to which TPS will acquire all of the issued and outstanding KABN Shares in exchange for New TPS Shares on a one-for-one basis. Immediately prior to the share exchange, TPS will complete the Consolidation. The proposed transaction will result in a reverse takeover of TPS by the KABN and will have no effect on the financial condition, financial performance and cash flows of KABN. The proposed transaction is subject to shareholder and regulatory approval.

#### 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.

This standard did not have an impact of the financial statements for the three-month period ended March 31, 2020.

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 adopted this standard and it did not have an impact on the financial statements for the three-month period ended March 31, 2020.

#### Financial Instruments

KABN's financial instruments consist of HST receivable, receivables from TPS, payables to KABN Gibraltar, Loan 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. The fair values of these financial instruments approximate their carrying values unless otherwise stated.

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

A breakdown of all material components of expenses of KABN is set forth in the interim condensed financial statements for the three-month period ended March 31, 2020.

#### Description of Securities Outstanding

The KABN has one class of shares outstanding, being the KABN Shares. Immediately prior to completion of the Business Combination, 59,777,942 KABN Shares were issued and outstanding. KABN had 6,393,515 outstanding KABN 2019 Warrants exercisable at a price of \$0.15 per share for a period expiring between January 31, 2021 and June 10, 2021. KABN has 7,406,543 outstanding KABN 2020 Warrants exercisable at a price of \$0.20 per share for a period expiring between November 21, 2021 and December 1, 2021.

## **7. MARKET FOR SECURITIES**

TPS Shares were listed on the CSE under the symbol "TPS". The trading of TPS Shares was halted on November 26, 2019 as a result of the announcement by TPS that it had entered into the Letter of Intent.

The listing of the Resulting Issuer Shares upon completion of the Business Combination is pending approval by the CSE. The Resulting Issuer Shares are expected to be assigned the trading symbol “KABB”.

## 8. CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Resulting Issuer (a) as at December 31, 2019 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, and (b) as at the date of this Listing Statement, including the securities issued during the Private Placement.

	Authorized	As at December 31, 2019	As at the date of the Listing Statement <sup>(1)</sup>
Resulting Issuer Shares (authorized — unlimited)	Unlimited	\$2,134,755 (51,259,328 Resulting Issuer Shares)	\$3,643,214 (65,750,228 Resulting Issuer Shares)
Resulting Issuer Preferred Shares	Unlimited	- (0 Resulting Issuer Preferred Shares)	- (0 Resulting Issuer Preferred Shares)
Resulting Issuer Options	Rolling 15%	- (0 Resulting Issuer Options)	\$465,450 (4,350,000 Resulting Issuer Options)
Resulting Issuer Warrants	N/A	\$364,729 (7,519,899 Resulting Issuer Warrants <sup>(2)</sup> )	\$1,016,560 (13,779,968 Resulting Issuer Warrants <sup>(3)</sup> )
Shareholders' Equity	N/A	\$2,864,707	\$2,419,281
Long-term Debt	N/A	-	-
Notes:			
(1) Numbers reflect the capitalization of the Resulting Issuer following the completion of the Private Placement.			
(2) Includes 1,126,384 TPS Warrants post-Consolidation and 6,393,515 KABN 2019 Warrants. All TPS Warrants have now expired.			
(3) Includes 6,393,515 KABN 2019 Warrants and 7,245,453 KABN 2020 Warrants.			

## 9. OPTIONS TO PURCHASE SECURITIES

### 9.1 Resulting Issuer Options and Warrants

#### 9.1.1 Resulting Issuer Options

In connection with the Business Combination, TPS adopted the Resulting Issuer Option Plan on the terms set out below. The Resulting Issuer Option Plan was approved by TPS Shareholders on March 31, 2020.

A brief summary of the Resulting Issuer Option Plan is set out under Section 9.2. – “*Incentive Plan*”.

Set forth below is a summary of the Resulting Issuer Options (all such options at the date hereof being KABN Options exercisable into Resulting Issuer Shares) outstanding immediately following the completion of the Business Combination:

<b>Category</b>	<b>Number of Resulting Issuer Options</b>	<b>Exercise Price per Resulting Issuer Share</b>	<b>Expiry Date</b>
All executive officers and past executive officers of TPS and the Resulting Issuer, and all directors and past directors of TPS and the Resulting Issuer who are not also executive officers of the Resulting Issuer	2,750,000	\$0.15	June 1, 2022
All executive officers and directors of Amalco not included above	600,000	\$0.15	June 1, 2022
All other employees and past employees of the Resulting Issuer	Nil	N/A	N/A
All other employees and past employees of Amalco not included above	Nil	N/A	N/A
All consultants of the Resulting Issuer	1,000,000	\$0.15	June 1, 2022
Any other person	N/A	N/A	N/A
<b><u>Total</u></b>	4,350,000		

### **9.1.2 Resulting Issuer Warrants**

The outstanding KABN 2019 Warrants, and the KABN 2020 Warrants and Finder's Warrants issued under the Private Placement will entitle the holders to acquire Resulting Issuer Shares. Set forth below is a summary of the Resulting Issuer Warrants (all such warrants at the date hereof being KABN Warrants exercisable into Resulting Issuer Shares) outstanding immediately following the completion of the Business Combination:

Category of Warrants before completion of the Business Combination	Number of Resulting Issuer Shares under Resulting Issuer Warrants	Exercise Price per Resulting Issuer Share	Date of Issue	Expiry Date
KABN 2019 Warrants	1,931,015 <sup>(1)</sup>	\$0.15	July 31, 2019	January 31, 2021
KABN 2019 Warrants	4,312,500 <sup>(1)</sup>	\$0.15	August 30, 2019	February 28, 2021
KABN 2019 Warrants	150,000 <sup>(1)</sup>	\$0.15	December 10, 2019	June 10, 2021
KABN 2020 Warrants	3,139,956 <sup>(2)</sup>	\$0.20	May 20, 2020	November 20, 2021
KABN 2020 Warrants	715,000 <sup>(2)</sup>	\$0.20	May 28, 2020	November 28, 2021
KABN 2020 Warrants	3,390,497 <sup>(2)</sup>	\$0.20	June 1, 2020	December 2, 2021
Finder's Warrants	18,000	\$0.20	May 20, 2020	November 20, 2021
Finder's Warrants	143,000	\$0.20	May 28, 2020	November 28, 2021

Notes:

(1) KABN 2019 Warrants were issued in three tranches of the private placement completed by KABN in July, August and December of 2019.

(2) KABN 2020 Warrants issued under the Private Placement.

## 9.2 Incentive Plans

### Summary of Resulting Issuer Option Plan

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 Appendix I to this Listing Statement. 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.

## **10. DESCRIPTION OF SECURITIES**

### **10.1 General**

#### **10.1.1 Resulting Issuer Shares**

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

Following the Business Combination and the Private Placement, the Resulting Issuer has 65,750,228 issued and outstanding Resulting Issuer Shares, on an undiluted basis. At the date hereof, approximately 9.1% of those Resulting Issuer Shares are held by former TPS



Shareholders and approximately 90.9% are held by former KABN Shareholders, including those participating in the Private Placement.

### Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.6 of CSE Form 2A are applicable to the share structure of the Issuer.

### 10.7 Prior Sales

#### TPS

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. No securities have been issued subsequently, until the completion of the Business Combination, in which 65,750,228 Resulting Issuer Shares were issued.

#### KABN

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

Date	Number and Type of Securities Issued	Issue Price Per Security
May 15, 2019	25,000,000 KABN Shares	\$0.01 <sup>(1)</sup>
May 15, 2019	7,500,000 KABN Shares	\$0.01 <sup>(1)</sup>
July 31, 2019	3,862,030 KABN Shares <sup>(2)</sup>	\$0.10
July 31, 2019	1,931,015 KABN 2019 Warrants <sup>(2)</sup>	N/A
August 30, 2019	8,625,000 KABN Shares <sup>(2)</sup>	\$0.10
August 30, 2019	4,312,500 KABN 2019 Warrants <sup>(2)</sup>	N/A
December 31, 2019	300,000 KABN Shares <sup>(2)</sup>	\$0.10
December 31, 2019	150,000 KABN 2019 Warrants <sup>(2)</sup>	N/A
May 20, 2020	6,279,913 KABN Shares <sup>(3)</sup>	\$0.15
May 20, 2020	3,139,356 KABN 2020 Warrants <sup>(3)</sup>	N/A
May 20, 2020	18,000 Finder's Warrants <sup>(4)</sup>	N/A
May 28, 2020	1,430,000 KABN Shares <sup>(3)</sup>	\$0.15
May 28, 2020	715,000 KABN 2020 Warrants <sup>(3)</sup>	N/A
May 28, 2020	143,000 Finder's Warrants <sup>(4)</sup>	N/A

June 1, 2020	6,780,999 KABN Shares <sup>(3)</sup>	\$0.15
June 1, 2020	3,390,497 KABN 2020 Warrants <sup>(3)</sup>	N/A
Notes:		
(1) For further details on the effective issue price of such KABN Shares, please refer to Section 4.3.2 – “Intellectual Property – Fees Payable by KABN” of this Listing Statement.		
(2) Issued as part of the KABN 2019 Units consisting of one KABN Share and one-half of one KABN 2019 Warrant, with each such KABN 2019 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.		
(3) Issued as part of the KABN 2020 Units consisting of one KABN Share and one-half of one KABN 2020 Warrant, with each such KABN 2020 Warrant permitting the holder to acquire a KABN Share for a price equal to \$0.20 for a period of 18 months, subject to early expiry if the KABN Shares trade at a volume weighted average price above \$0.30 for 20 consecutive days.		
(4) Common share purchase warrant issued to certain finders in connection with the Private Placement, exercisable into a KABN Share at a price of \$0.20 per KABN Share for a period of 18 months, provided that it must be exercised should KABN Shares trade at a price of \$0.30 or greater for a period of 20 consecutive days.		

## 10.8 Stock Exchange Price

The TPS Shares were 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 a pre-Consolidation basis, 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.

Period	High	Low	Trading Volume
May 2020	N/A	N/A	N/A <sup>(1)</sup>
April 2020	N/A	N/A	N/A <sup>(1)</sup>
March 2020	N/A	N/A	N/A <sup>(1)</sup>
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 was halted on November 26, 2019 as a result of the announcement of TPS that it had entered into the Letter of Intent with KABN.			

## 11. ESCROWED SECURITIES

As required under the policies of the CSE, principals of the Resulting Issuer are required to enter into an escrow agreement (the “**Escrow Agreement**”) as if it was subject to the requirements of National Policy 46-201 – *Escrow for Initial Public Offerings (“NP 46-201”)*. The escrow agent is Odyssey Trust Company. Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, and as outlined below:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
On the date the Resulting Issuer Shares are listed on the CSE (the “ <b>listing date</b> ”)	1/10 of the escrow securities held
6 months after the listing date	1/6 of the escrow securities held
12 months after the listing date	1/5 of the escrow securities held
18 months after the listing date	1/4 of the escrow securities held
24 months after the listing date	1/3 of the escrow securities held
30 months after the listing date	1/2 of the escrow securities held
36 months after the listing date	The remaining escrowed securities

The form of the Escrow Agreement is as provided in NP 46-201.

Under the terms of the Escrow Agreement, 10% of each escrowed shareholder’s Escrow Securities (a total of approximately 2,742,500 Resulting Issuer Shares and 62,500 Resulting Issuer Warrants exercisable into 62,500 Resulting Issuer Shares) will be released from escrow on the Listing Date. The remaining 24,682,000 Resulting Issuer Shares, and 562,500 Resulting Issuer Warrants exercisable into 562,500 Resulting Issuer Shares, will be held in escrow immediately following the Listing Date and released pursuant to the terms of the Escrow Agreement.

The following table includes the details of the Escrow Securities that will be held by the principals of the Resulting Issuer subject to escrow under NP 46-201:

Name and municipality of residence of security holder	Designation of class	Number to be held in escrow	Percentage of class securities <sup>(1)</sup>
J. Patrick Mesina Toronto, ON	KABN Shares	675,000	1.03%

	KABN 2019 Warrants	37,500	0.58%
	KABN 2020 Warrants	250,000	3.45%
Benjamin Kessler New Rochelle, NY	KABN Shares	675,000	1.03%
	KABN 2019 Warrants	175,000	2.74%
Crypto KABN Holdings Inc. Vancouver, BC	KABN Shares	12,500,000	19.01%
David Lucatch Vaughan, ON	KABN Shares	725,000	1.10%
	KABN 2019 Warrants	200,000	3.13%
	KABN Shares <sup>(2)</sup>	12,850,000	19.54%

Notes:

(1) Calculated based upon 65,750,228 Resulting Issuer Shares, 6,393,515 KABN 2019 Warrants and 7,245,453 KABN 2020 Warrants issued and outstanding following completion of the Private Placement and Business Combination.

(2) Shares that are beneficially owned by Mr. Lucatch through KABN Gibcan Inc.

Designation of Class of Securities held in Escrow	Number of Securities Held in Escrow <sup>(1)</sup>	Percentage of Class of Securities
Resulting Issuer Shares	27,425,000 <sup>(2)</sup>	41.71%
KABN 2019 Warrants	412,500 <sup>(3)</sup>	6.45%
KABN 2020 Warrants	250,000	3.45%

Notes:

(1) The Escrow Securities do not include the securities held by directors and officers of the Resulting Issuer who hold less than 1% of the Resulting Issuer Shares on a fully-diluted basis or who have been subject to escrow in connection with TPS.

## 12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of TPS and KABN, at the completion of the Private Placement and Business Combination, only the following shareholders will beneficially own, directly or indirectly, or exercise control or direction over Resulting Issuer Shares carrying more than 10% of voting rights attached to such Resulting Issuer Shares:

Name	Type of Ownership (of record and beneficially)	Number of Resulting Issuer Shares	Percentage of Outstanding Resulting Issuer Shares of the Resulting Issuer (Undiluted)	Percentage of Outstanding Resulting Issuer Shares of the Resulting Issuer (Fully Diluted)
David Lucatch <sup>(1)</sup>	Record and Beneficial	725,000	1.1%	0.85%

Name	Type of Ownership (of record and beneficially)	Number of Resulting Issuer Shares	Percentage of Outstanding Resulting Issuer Shares of the Resulting Issuer (Undiluted)	Percentage of Outstanding Resulting Issuer Shares of the Resulting Issuer (Fully Diluted)
KABN GibCan Inc. <sup>(1)</sup>	Record	12,850,000	19.54%	15.06%
Crypto KABN Holdings Inc.	Record and Beneficial	12,500,000	19.01%	14.65%

Notes:

(1) Mr. Lucatch has a 100% beneficial ownership interest in the 12,850,000 Resulting Issuer Shares of which KABN GibCan Inc. is the registered owner.

### 13. DIRECTORS AND OFFICERS

#### 13.1 to 13.3. Directors, Officers and Management of the Resulting Issuer

The following table sets out the names of the directors and officers of the Resulting Issuer, the municipality and province of residence, their position with the Resulting Issuer, their principal occupation during the past five years, and the number and percentage of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of the Resulting Issuer's directors and officers. Each director holds office until the close of the next annual general meeting of the Resulting Issuer, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated.

Name and Municipality of Residence	Office with Resulting Issuer	Director and/or Officer Since	Principal Occupation and Positions Held During the Last 5 Years	Number and Percentage of Resulting Issuer Voting Securities Owned, Beneficially Held or Controlled (non-diluted basis) <sup>(1)</sup>
Benjamin Kessler New Rochelle, NY	Interim Chief Executive Officer and Director	May 1, 2019 in respect of KABN  June 4, 2020 in respect of the Resulting Issuer	Chief Executive Officer and Director of KABN and 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 (1.03%)
David Lucatch <sup>(2)</sup> Vaughan, ON	President and Director	May 1, 2019 in respect of KABN  June 4, 2020 in respect of the Resulting Issuer	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 Entertainment Media Inc.; Chief	Direct: 725,000 Indirect: 12,850,000 (20.65%)

			Executive Officer and Director of Imagination 7 Ventures LLC; Chief Executive Officer and Director of Yappn Corp.	
Bryan Loree Burnaby, BC	Interim Chief Financial Officer	September 10, 2014 in respect of TPS	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.; Formerly Chief Financial Officer of Canadian Mining Corp.; Formerly Chief Financial Officer and Director of Isodiol International Inc.; Accountant at various private companies	800,648 (1.22%)
Michael Konikoff 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 (0.80%)
Lynn Cumiskey 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 (0.57%)
Houssam (Sam) Kawtharani <sup>(2)</sup> Toronto, ON	Director	May 1, 2019 in respect of KABN  June 4, 2020 in respect of the Resulting Issuer	Director of KABN; Chief Executive Officer and Director of Corl Financial Technologies Inc.; Formerly Head of Product of IOU Financial Inc.	100,000 (0.15%)
J. Patrick Mesina <sup>(2)</sup> Toronto, ON	Director	June 4, 2018 in respect of TPS  May 1, 2019 in respect of KABN  June 4, 2020 in respect of the Resulting Issuer	Director of KABN; Director of Cortland Credit Group Inc.; Independent Consultant for Vive Crop Protection Inc. and Northern Lights Partners Inc.; Formerly Vice President of AIP Private Capital Inc.	675,000 (1.03%)
Ravinder Mlait Burnaby, BC	Director	February 27, 2015 in respect of TPS (as Chief Executive Officer)  June 4, 2020 in respect of the Resulting Issuer	Chief Executive Officer and Director of Cannabix Technologies Inc.; President, Chief Executive Officer and Director of Brockton Ventures Inc.; Formerly Chief Executive Officer and Director of Micron Waste Technologies Inc.; Formerly President, Chief	769,945 (1.17%)

			Executive Officer and Director of Rockland Minerals Corp.	
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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 Listing Statement, after giving effect to the Business Combination, as otherwise contemplated in this Listing Statement. 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.
- (2) Denotes a member of the Audit Committee.

### 13.4 Board Committees

The Resulting Issuer will have one board committee, being its Audit Committee.

The overall purpose of the Audit Committee is to assist the Resulting Issuer Board in its oversight by reviewing (i) the Resulting Issuer’s financial statements, its financial and internal controls and its accounting, audit and reporting activities, (ii) the Resulting Issuer’s compliance with legal and regulatory requirements, (iii) the external auditors’ qualifications and independence, and (iv) the scope, results and findings of the Resulting Issuer’s external auditors’ audit and non-audit services. The Resulting Issuer has adopted an audit committee charter which sets out the Audit Committee’s mandate, composition, operations, powers and responsibilities.

The Audit Committee will comprise of three directors as follows: David Lucatch (Chair), J. Patrick Mesina and Houssam (Sam) Kawtharani. Messrs. Mesina and Kawtharani are “independent”, as such term is defined within the meaning of NI 52-110. Each proposed member of the Audit Committee is also “financially literate”, as such term is defined within the meaning of NI 52-110, and possesses education or experience that is relevant for the performance of their responsibilities as Audit Committee members.

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

### 13.5 Director and Officer Principal Occupations

The principal occupation of each of the proposed Resulting Issuer’s directors and officers is disclosed in the table above.

### 13.6 to 13.8. Penalties and Sanctions

No proposed director, officer, promoter of the Resulting Issuer following the completion of the Business Combination, or a security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within the past ten years, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a 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 security holder making a decision about the Business Combination.

### Corporate Cease Trade Orders or Bankruptcies

No proposed director, officer, promoter of the Resulting Issuer following the completion of the Business Combination, or a security holder anticipated to hold sufficient securities of the Resulting

Issuer to affect materially the control of the Resulting Issuer, has, within the past ten years, 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.

### **13.6 Personal Bankruptcies**

No proposed director, officer, promoter of the Resulting Issuer following the completion of the Business Combination, or to the knowledge of management of KABN or TPS, a security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such person has, within the past ten years, 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.

### **13.7 Conflicts of Interest**

There are potential conflicts of interest to which the directors, officers and promoters of the Resulting Issuer will be subject with respect to the operations of the Resulting Issuer. Certain of the directors, and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Resulting Issuer will be engaged in direct competition with the Resulting Issuer. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest, including the procedures prescribed by the BCBCA. The BCBCA requires that directors and officers of the Resulting Issuer, who are also directors or officers of a party which enters into a material contract with the Resulting Issuer or otherwise have a material interest in a material contract entered into by the Resulting Issuer, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Resulting Issuer's directors to approve the contract.

To the knowledge of the Resulting Issuer, other than as disclosed in Section 20 – *“Interest of Management and Others in Material Transactions”*, there are no known existing or potential conflicts of interest among the Resulting Issuer and its promoters, directors, officers or other members of management immediately prior to completion of the Business Combination, nor among the Resulting Issuer and any of the Resulting Issuer's promoters, directors, officers or other members of management following the completion of the Business Combination, as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promotes and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

### **13.8 Management**

The following biographies provide certain selected information in respect of persons who will be serving as directors and/or officers of the Resulting Issuer:



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 and a director of KABN, as well as 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 is responsible for the overall management of the Resulting Issuer and will devote approximately 70% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Kessler holds 0.79% of the Resulting Issuer Shares on a fully-diluted basis.

Mr. David Lucatch (58) – President and Director

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 is responsible for supporting the management team of the Resulting Issuer and also serves as a member of the Audit Committee. Mr. Lucatch will devote approximately 85% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Lucatch holds 15.91% of the Resulting Issuer Shares on a fully-diluted basis.

Mr. Bryan Loree (43) – Interim Chief Financial Officer

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. Loree will devote approximately 35% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Loree holds 0.94% of the Resulting Issuer Shares on a fully-diluted basis.

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 the Resulting Issuer. Mr. Konikoff will devote approximately 60% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Konikoff holds 0.62% of the Resulting Issuer Shares on a fully-diluted basis.

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 Entertainment Media Inc.

Ms. Cumiskey will be responsible for Compliance, Securities, Administration and Human Resources at the Resulting Issuer. Ms. Cumiskey will devote approximately 60% of her time to the Resulting Issuer or such greater amount of time as is necessary. Ms. Cumiskey holds 0.44% of the Resulting Issuer Shares on a fully-diluted basis.

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

Mr. Kawtharani is an experienced product leader who specializes in driving vision and roadmap for businesses from startup to IPO. He focuses on collaboration between customer and company, with cross-functional partners to launch cutting-edge business solutions, driving greater operational efficiencies, engagement, and revenues. Mr. Kawtharani is passionate about combining the best of technology, data and product, and design to execute a successful product vision. In 2016, Mr. Kawtharani founded Corl - a FinTech that offers data-driven growth capital to startups backed by a security token. Prior to Corl, Mr. Kawtharani was the Head of Product at IOU Financial, a publicly-listed online lender (TSX:IOU), where he supported the company originate over \$500mm in loans across the United States & Canada through continuous product development and innovation. Mr. Kawtharani is an advocate of neo banking, self-sovereign identity, decentralized finance (Defi), and digitizing securities on the blockchain and other distributed ledger technologies. Mr. Kawtharani is currently an advisor at Walo a FinTech & Blockchain company solving tomorrow's problems.

Mr. Kawtharani is a member of the Audit Committee and will devote approximately 10% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Kawtharani holds 0.12% of the Resulting Issuer Shares on a fully-diluted basis.

Mr. J. Patrick Mesina (42) – Director

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. Mesina is a member of the Audit Committee and will devote approximately 10% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Mesina holds 0.79% of the Resulting Issuer Shares on a fully-diluted basis.

**Mr. Ravinder Mlait (43) – Director**

Mr. Mlait was the Chief Executive Officer and a director of TPS from February 2015 until June 4, 2020. 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.

Mr. Mlait will devote approximately 10% of his time to the Resulting Issuer or such greater amount of time as is necessary. Mr. Mlait holds 0.90% of the Resulting Issuer Shares on a fully-diluted basis.

**13.9 Existing or Potential Conflicts of Interest**

The directors of the Resulting Issuer are required by law to act honestly and in good faith with a view to the best interest of the Resulting Issuer and to disclose any interests with they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Resulting Issuer will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Resulting Issuer may be exposed and its financial position at that time.

**14. CAPITALIZATION**

**14.1 Pro Forma Capitalization**

The following tables set forth the pro forma consolidated capitalization of the Resulting Issuer as at the date of this Listing Statement. All references are to Resulting Issuer Shares.

	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully diluted)</b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	65,750,228	85,329,595	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies	32,055,594	37,623,094	49%	44%

who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	33,694,634	47,706,501	51%	56%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	33,262,260	33,924,760	51%	40%
Total Tradeable Float (A-C)	32,487,968	51,404,835	49%	60%

### Public Securityholders (Registered)

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	10	451
100 – 499 securities	7	1,236
500 – 999 securities	6	3,587
1,000 – 1,999 securities	11	14,453
2,000 – 2,999 securities	16	40,391
3,000 – 3,999 securities	3	10,450
4,000 – 4,999 securities	0	-
5,000 or more securities	83	33,624,066
<b>Total</b>	136	33,694,634

### Public Securityholders (Beneficial)

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	1,334	11,829
100 – 499 securities	597	48,868
500 – 999 securities	45	80,091

Size of Holding	Number of Holders	Total Number of Securities
1,000 – 1,999 securities	295	2,423,630
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	159	3,094,235
<b>Total</b>	<b><u>2,430</u></b>	<b><u>5,658,653</u></b>

### Non-Public Securityholders (Registered)

Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	17	32,055,594
<b>Total</b>	<b><u>17</u></b>	<b>32,055,594</b>

## 14.2 Securities Convertible or Exchangeable for Resulting Issuer Shares

The following tables set forth the securities convertible or exchangeable for Resulting Issuer Shares as at the date of this Listing Statement.

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
KABN Options <sup>(1)</sup>	4,350,000	4,350,000
KABN 2019 Warrants <sup>(2)</sup>	6,393,515	6,393,515
KABN 2020 Warrants <sup>(3)</sup>	7,245,453	7,245,453
Finder's Warrants <sup>(4)</sup>	161,000	161,000

Other Shares Issuable Under Consulting Agreements <sup>(5)</sup>	1,429,399	1,429,399
<p>Notes:</p> <p>(1) See the “Options to Purchase Securities” section in the Listing Statement for a description of the exercise terms and the exercise price. Obligation to issue shares pursuant to these securities was assumed by the Resulting Issuer in connection with the Business Combination and so are now in respect of Resulting Issuer Shares.</p> <p>(2) Common share purchase warrants 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, provided that it must be exercised within 30 days should KABN Shares trade at a price of \$0.25 or greater for a period of 20 consecutive days. Obligation to issue shares pursuant to these securities was assumed by the Resulting Issuer in connection with the Business Combination and so are now in respect of Resulting Issuer Shares.</p> <p>(3) Common share purchase warrants 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, provided that it must be exercised should KABN Shares trade at a price of \$0.30 or greater for a period of 20 consecutive days. Obligation to issue shares pursuant to these securities was assumed by the Resulting Issuer in connection with the Business Combination and so are now in respect of Resulting Issuer Shares.</p> <p>(4) Common share purchase warrant issued to certain finders in connection with the Private Placement, exercisable into a KABN Share at a price of \$0.20 per KABN Share for a period of 18 months, provided that it must be exercised should KABN Shares trade at a price of \$0.30 or greater for a period of 20 consecutive days. Obligation to issue shares pursuant to these securities was assumed by the Resulting Issuer in connection with the Business Combination and so are now in respect of Resulting Issuer Shares.</p> <p>(5) Rights to acquire up to 1,429,399 KABN Shares issuable to certain consultants of KABN under consulting agreements entered into by the Assignor at an effective price of \$0.15 per share. Obligation to issue shares pursuant to these securities was assumed by the Resulting Issuer in connection with the Business Combination and so are now in respect of Resulting Issuer Shares.</p>		

## 15. EXECUTIVE COMPENSATION

***The statement of executive compensation contained in this section relates only to the proposed executive compensation of the Resulting Issuer following completion of the Business Combination.***

Executive compensation is required to be disclosed for (i) the Chief Executive Officer (or the individual who served in a similar capacity during the most recently completed financial year), (ii) the Chief Financial Officer (or the individual who served in a similar capacity during the most recently completed financial year), (iii) each of the three most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer) who were serving as executive officers at the end of the most recently completed fiscal year (or the three most highly compensated individuals) and whose total compensation was, individually, more than \$150,000; and (iv) each individual who would meet the definition set forth in (iii) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year (the “NEOs”).

The Resulting Issuer will still be in its early stages of development. The Resulting Issuer’s executive compensation program will be administered by the Resulting Issuer Board, which will be solely responsible for determining the compensation to be paid to the Resulting Issuer’s executive officers and evaluating their performance. The Resulting Issuer Board has not adopted any specific policies or objective for determining the amount or extent of compensation for directors or officers.

Although the Resulting Issuer does not intend on paying any compensation to its NEOs at this time, the significant elements of compensation for the NEOs may be a cash salary and stock options. The Resulting Issuer has the Resulting Issuer Option Plan but does not presently have

any other long-term incentive plan for its NEOs. There is no policy or target regarding allocation between cash and non-cash elements of the Resulting Issuer's compensation program. The Resulting Issuer Board expects to annually review the total compensation package of each of the Resulting Issuer's executives on an individual basis.

Other than as described above, the Resulting Issuer does not intend to provide the NEOs with any additional personal benefits, nor does the Resulting Issuer intend to provide any additional compensation to its NEOs for serving as directors of the Issuer. There will be no long-term incentive awards and no pension plan benefits in place for the named executives. None of the NEOs, senior officers or directors of the Resulting Issuer will be indebted to the Issuer. In addition, there will be no plans in place with respect to the NEOs for termination of employment or change in responsibilities.

### **Base Salaries**

The Resulting Issuer's base compensation payable to the NEOs, 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 NEO and varies with the amount of time spent by each NEO in carrying out his or her functions on behalf of the Resulting Issuer.

### **Option-Based Awards**

Prior to completion of the Business Combination, the Resulting Issuer has granted Resulting Issuer Options to purchase an aggregate of up to 4,350,000 Resulting Issuer Shares to the Resulting Issuer's directors and to certain officers, employees and consultants at an exercise price equal to \$0.15, representing approximately 6.6% of the issued and outstanding Resulting Issuer Shares.

It is expected that options awards held by management will be taken into consideration by the Resulting Issuer Board at the time of any subsequent grants under the Compensation Plan in determining the quantum or terms of any such subsequent award grants. Resulting Issuer Options (and other awards) may be granted to directors, management, employees and certain service providers as long-term incentives to align the individual's interests with those of the Issuer. The size of the award grants is anticipated to be in proportion to the deemed ability of the individual to make an impact on the Resulting Issuer's success, as determined by the Resulting Issuer Board.

A brief summary of the Resulting Issuer Option Plan is set out under Section 9.2. – "*Incentive Plan*". The full text of the Resulting Issuer Option Plan is attached as Appendix I to this Listing Statement.

The Resulting Issuer had planned to recruit senior staff as part of its current business plan, however given the current macroenvironment, that may prove to be difficult. As such, the Resulting Issuer may, at its discretion, pay fees, up to \$60,000 for existing senior officers and up to \$5,000 to board committee members to the end of the calendar year end. Other than the foregoing, no annual compensation is currently anticipated to be paid by the Resulting Issuer to the current CEO, CFO, officers or directors during twelve-month period following the closing of the Business Combination. The Resulting Issuer expects by that time that it should be able to recruit and / or assign individuals for permanent senior management roles whose compensation will be determined at the time they are retained.

The following table sets out the KABN Options, which are exercisable into Resulting Issuer Shares following the Business Combination, granted to the directors and NEOs of the Resulting Issuer in 2020:



<b>COMPENSATION SECURITIES</b>						
<b>Name and Position</b>	<b>Type of Compensation Security</b>	<b>Number of Compensation Securities, number of Underlying Securities and Percentage of Class</b>	<b>Date of Issue or Grant</b>	<b>Closing Price of Security or Underlying Security on Date of Grant (\$)<sup>(1)</sup></b>	<b>Closing Price of Security or Underlying Security at Year End (\$)</b>	<b>Expiry Date</b>
Benjamin Kessler  Interim Chief Executive Officer and Director	KABN Option	600,000 KABN Options exercisable for 600,000 Resulting Issuer Shares representing 0.91% of the outstanding number of Resulting Issuer Shares	June 1, 2020	0.15	N/A	June 1, 2022
Bryan Loree  Interim Chief Financial Officer	KABN Option	150,000 KABN Options exercisable for 150,000 Resulting Issuer Shares representing 0.23% of the outstanding number of Resulting Issuer Shares	June 1, 2020	0.15	N/A	June 1, 2022
David Lucatch  President and Director	KABN Option	600,000 KABN Options exercisable for 600,000 Resulting Issuer Shares representing 0.91% of the outstanding number of Resulting Issuer Shares	June 1, 2020	0.15	N/A	June 1, 2022

Houssam (Sam) Kawtharani Director	KABN Option	200,000 KABN Options exercisable for 200,000 Resulting Issuer Shares representing 0.30% of the outstanding number of Resulting Issuer Shares	June 1, 2020	0.15	N/A	June 1, 2022
J. Patrick Mesina Director	KABN Option	200,000 KABN Options exercisable for 200,000 Resulting Issuer Shares representing 0.30% of the outstanding number of Resulting Issuer Shares	June 1, 2020	0.15	N/A	June 1, 2022
Ravinder Mlait Director	KABN Option	200,000 KABN Options exercisable for 200,000 Resulting Issuer Shares representing 0.30% of the outstanding number of Resulting Issuer Shares	June 1, 2020	0.15	N/A	June 1, 2022
Notes:						
(1) Based on the price per KABN Share in the Private Placement.						

### Incentive Plan Awards

As described above, prior to completion of the Business Combination, KABN issued options that, subsequent to the Business Combination, are now exercisable to purchase an aggregate of up to 4,350,000 Resulting Issuer Shares to directors and to certain officers, consultants and employees of KABN at an exercise price equal to \$0.15. 40% of such options awarded vested on the grant date, following which 30% will vest on the date that is six months from the grant date and the remaining 30% will vest on the date that is one year from the grant date. The options will expire in two years from the grant date.

### Options to Purchase Securities

Please see the table entitled “*Compensation Securities*” and the section entitled “*Incentive Plan Awards*” above.

### **Pension Plan Benefits**

The Resulting Issuer does not intend to implement any pension or retirement plan which is applicable to the NEOs. KABN has not provided compensation, monetary or otherwise, during the most recently completed financial year, to any person who has acted or will act as an NEO of the Issuer, in connection with or related to the retirement, termination or resignation of such person.

### **Defined Benefits Plans**

On completion of the Business Combination, the Resulting Issuer will not have a defined benefits pension plan.

### **Defined Contribution Plans**

On completion of the Business Combination, the Resulting Issuer will not have a defined contribution plan.

### **Deferred Compensation Plans**

On completion of the Business Combination, the Resulting Issuer will not have a deferred compensation plan.

### **Termination and Change of Control Benefits**

Other than as disclosed herein, the Resulting Issuer will not have any contracts, agreements, plans or arrangements that provide for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Resulting Issuer or a change in an NEO's responsibilities.

### **Employment, Consulting and Management Agreements**

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.

## **16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE 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. 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.

## **17. RISK FACTORS**

The Resulting Issuer is subject to significant risks 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's future development and operating results may be very different from those expected as at the date of this Listing Statement. 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 KABN 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 KABN 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 KABN 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 KABN 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 KABN 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 KABN 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 depreciation 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 KABN 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. 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 Resulting Issuer expects to 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

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.

## **18. PROMOTERS**

The following chart sets forth the consideration paid to any promoters of the Resulting Issuer:

Name of Promoter	Number and percentage of Resulting Issuer Shares to be held following the Business Combination and Private Placement <sup>(1)</sup>	Nature and amount of anything of value to be received directly or indirectly from the Resulting Issuer or a subsidiary
David Lucatch	Direct: 725,000 Indirect: 12,850,000 <sup>(2)</sup> 20.65%	Nil

Notes:

- (1) Calculated based upon the securities of the Resulting Issuer beneficially owned by such persons reported as of the date of this Listing Statement, on a non-diluted basis. See also "Resulting Issuer – Escrowed Securities".
- (2) Mr. Lucatch has a 100% interest in KABN Gibraltar, which owns 12,850,000 Resulting Issuer Shares through its subsidiary, KABN GibCan Inc.

## 19. LEGAL PROCEEDINGS

There are no actual or pending material legal proceedings to which the Resulting Issuer or any of its predecessors is a party or of which any of its assets are subject. Management of the Resulting Issuer is not aware of any such material legal proceedings contemplated against the Resulting Issuer or any of its predecessors. There are no penalties or sanctions imposed against the Resulting Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Listing Statement. There are no other penalties or sanctions imposed by a court or regulatory body against the Resulting Issuer necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. There are no settlement agreements that the Resulting Issuer entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date this Listing Statement.

## 20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Listing Statement, no director or executive officer of the Resulting Issuer or any person who will beneficially own, directly or indirectly, Resulting Issuer Shares or who will exercise control or direction over Resulting Issuer Shares carrying more than ten percent (10%) of the voting rights attached to all outstanding Resulting Issuer Shares, or any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Resulting Issuer or a subsidiary of the Resulting Issuer.

## 21. AUDITORS, TRANSFER AGENT AND REGISTRAR

### 21.1 Auditors

Saturna Group Chartered Professional Accountants LLP, located at Oceanic Plaza Towers, 1066 W Hastings St, Suite 1250, Vancouver, British Columbia V6E 3X1, were the auditors for TPS.

RSM Canada LLP, located at 11 King Street West, Suite 700, Toronto, Ontario M5H 4C7, is the Resulting Issuer's auditors after the closing of the Business Combination.

## **21.2 Transfer Agent and Registrar**

The transfer agent and registrar for the Resulting Issuer's securities is Odyssey Trust Company at its principal offices in Toronto, Ontario.

## **22. MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by KABN or TPS within two years to the date hereof which are currently in effect and are considered to be currently material:

- (a) KABN License Agreement dated May 15, 2019 between KABN and KABN Gibraltar; see Section 3.1.1 – "*General Development of the Business – KABN*"; and
- (b) Business Combination Agreement; see Section 3.2 – "*Business Combination – Business Combination Agreement*".

## **23. INTEREST OF EXPERTS**

Saturna Group Chartered Professional Accountants LLP, auditors of TPS, prepared the auditor's report for the audited financial statements of TPS for the years ended December 31, 2019 and 2018. They are independent in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia.

RSM Canada LLP, auditors of KABN, prepared the auditor's report for the audited financial statements of KABN for the period from May 1, 2019 to December 31, 2019. They are independent in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

No other person or company who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement has, or will have immediately following completion of the Business Combination, any direct or indirect interest in the Resulting Issuer or KABN.

## **24. OTHER MATERIAL FACTS**

There are no other material facts that are not elsewhere disclosed herein and which are necessary in order for this document to contain full, true and plain disclosure of all material facts relating to TPS and KABN.

## **25. FINANCIAL STATEMENTS**

See Appendices B, C, D, E, and F.





## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by the Board of Directors, KABN Systems NA Holding Corp. hereby applies for the listing of the abovementioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to KABN Systems NA Holding Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 5<sup>th</sup> day of June, 2020.

(signed) "Benjamin Kessler"

Chief Executive Officer

Ravinder Mlait

(signed) "Bryan Loree"

Chief Financial Officer

Bryan Loree

(signed) "J. Patrick Mesina"

Director

J. Patrick Mesina

(signed) "Houssam (Sam) Kawtharani"

Director

Houssam (Sam) Kawtharani

## CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to KABN Systems North America Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario, this 5<sup>th</sup> day of June, 2020.

(signed) "Benjamin Kessler"

Interim Chief Executive Officer

Benjamin Kessler

(signed) "Craig McCannell"

Interim Chief Financial Officer

Craig McCannell

(signed) "David Lucatch"

President, Director and Promoter

David Lucatch

(signed) "Houssam (Sam) Kawtharani"

Director

Houssam (Sam) Kawtharani

(signed) "J. Patrick Mesina"

Director

J. Patrick Mesina

(signed) "Ravinder Mlait"

Director

Ravinder Mlait

## CERTIFICATE OF THE PROMOTER

The foregoing contains full, true and plain disclosure of all material information relating to the Resulting Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario, this 5<sup>th</sup> day of June, 2020.

(signed) "*David Lucatch*"

---

Promoter

David Lucatch

**Appendix A**

**BUSINESS COMBINATION AGREEMENT**

*[See attached.]*

**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

### A M O N G:

**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: (signed) "*Ravinder Mlait*"

\_\_\_\_\_  
Name: Ravinder Mlait

Title: Chief Executive Officer

**KABN SYSTEMS NORTH AMERICA INC.**

By: (signed) "*Benjamin Kessler*"

\_\_\_\_\_  
Name: Benjamin Kessler

Title: Interim Chief Executive Officer

**2733668 ONTARIO INC.**

By: (signed) "*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

THIS AGREEMENT dated \_\_\_\_\_, 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")

#### RECITALS:

- A. The parties hereto (the "**Parties**") have entered into a business combination agreement dated as of January 13, 2020 pursuant to which the Parties have agreed that the business and assets of TPS will be combined with those of KABN (the "**Business Combination Agreement**").
- B. TPS Subco and KABN have agreed to amalgamate under the OBCA (as hereinafter defined) upon the terms and conditions hereinafter set out.
- C. Effective upon the happening of the Amalgamation, TPS shall issue to each KABN shareholder one TPS Share (as defined below) for each one KABN common share.

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties hereto do hereby agree as follows:

## 1. Interpretation

In this Agreement including the recitals:

“**Agreement**” means this agreement and any amendment made to this Agreement.

“**Amalco**” means Amalco resulting from the Amalgamation and continuing the corporate existence of the Amalgamating Corporations.

“**Amalco Shares**” means the common shares in the capital of Amalco.

“**Amalgamating Corporation**” means each of TPS Subco and KABN and “**Amalgamating Corporations**” means both of them.

“**Amalgamation**” means the amalgamation of the Amalgamating Corporations pursuant to the provisions of section 178 of the OBCA in the manner contemplated in and pursuant to this Agreement.

“**Amalgamation Resolution**” means the special resolution in respect of the Amalgamation to be considered by the KABN Shareholders.

“**Business Combination**” means the transactions, as detailed in the Business Combination Agreement, through which the businesses of KABN and TPS will be combined.

“**Business Combination Agreement**” has the meaning ascribed thereto in the preambles to this Agreement.

“**Certificate of Amalgamation**” means the certificate of amalgamation to be issued by the Director in respect of the Amalgamation.

“**Director**” means the director appointed under section 278 of the OBCA.

“**Dissent Rights**” means the rights of dissent in respect of the Amalgamation Resolution provided pursuant to the OBCA.

“**Dissenting Shareholder**” means a KABN Shareholder, who, in connection with the Amalgamation Resolution which approves and adopts this Agreement, has sent to KABN a written objection and a demand for payment within the time limits and in the manner prescribed by the OBCA with respect to such shareholder's KABN Shares.

“**Effective Date**” means the date shown on the Certificate of Amalgamation.

“**Effective Time**” means the effective time of the Amalgamation as set out in Section 18.

“**Government Authority**” means any foreign, national, provincial, local or state government, any political subdivision or any governmental, 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 and, for greater certainty, includes the Canadian Securities Exchange.

“**KABN Shares**” means common shares in the capital of KABN.

“**KABN Shareholder**” means a registered holder of KABN Shares, from time to time, and “**KABN Shareholders**” means all of such holders.

“**OBCA**” means the *Business Corporations Act* (Ontario), as the same has been and may hereafter from time to time be amended.

“**Paid-up Capital**” means paid-up capital within the meaning of subsection 89(1) of the *Income Tax Act* (Canada).

“**Parties**” means TPS, TPS Subco and KABN.

“**Person**” includes any individual, sole proprietorship, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, union, Government Authority, syndicate or other entity, whether or not having legal status.

“**TPS Shares**” means common shares in the capital of TPS following the Consolidation.

“**TPS Subco**” means 2733668 Ontario Inc.

“**Transfer Agent**” means [●].

## **2. Paramountcy**

In the event of any conflict between the provisions of this Agreement and the provisions of the Business Combination Agreement, the provisions of the Business Combination Agreement shall prevail.

## **3. Agreement to Amalgamate**

Each of the Parties hereby agrees to the Amalgamation. The Amalgamating Corporations shall amalgamate to create Amalco on the terms and conditions set out in this Agreement.

## **4. Conversion or Cancellation of Shares**

On the Effective Date at the Effective Time, the issued and outstanding shares in the capital of the Amalgamating Corporations shall be treated as follows:

- (a) all KABN Shares shall be cancelled and the KABN Shareholders (other than any Dissenting Shareholders) shall receive one fully paid and non-assessable TPS Share in exchange for each issued and outstanding KABN Share held by such shareholder;

- (b) in consideration of the issue by TPS of TPS Shares pursuant to paragraph 4(a) hereof, Amalco shall issue to TPS one fully paid and non-assessable common share in the capital of Amalco for each TPS Share which is so issued; and
- (c) each issued and outstanding common share in the capital of TPS Subco shall be converted into one common shares of Amalco.

## **5. Dissenting Shareholders**

KABN Shares which are held by a Dissenting Shareholder shall not be converted pursuant to Section 4. However, if a Dissenting Shareholder fails to perfect or effectively withdraw its claim under the OBCA or forfeits its right to make a claim under the OBCA or if its rights as a KABN Shareholder are otherwise reinstated, such KABN Shareholder's shares shall thereupon be deemed to have been converted as of the Effective Date pursuant to Section 4.

## **6. Stated Capital**

The capital account of the TPS Shares immediately after the Effective Time shall be equal to the aggregate of:

- (a) the Paid-up Capital of the issued and outstanding KABN Shares that are cancelled in consideration for TPS Shares pursuant to Section 4(a); and
- (b) the Paid-up Capital of the issued and outstanding TPS Shares, immediately prior to the Effective Time.

The stated capital account of the Amalco Shares immediately after the Effective Time shall be equal to the aggregate of:

- (a) the Paid-up Capital of the issued and outstanding KABN Shares that are cancelled in consideration for TPS Shares pursuant to Section 4(a); and
- (b) the Paid-up Capital of the issued and outstanding TPS Subco Shares, immediately prior to the Effective Time.

## **7. Effect of Amalgamation**

Upon the Effective Date:

- (a) the Amalgamating Corporations are amalgamated and continue as Amalco as contemplated by this Agreement;
- (b) the Amalgamating Corporations cease to exist as entities separate from Amalco;
- (c) Amalco possesses all the property, rights, privileges and franchises and is subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of the Amalgamating Corporations;

- (d) a conviction against, or ruling, order or judgment in favour or against an Amalgamating Corporation may be enforced by or against Amalco;
- (e) the articles of amalgamation are deemed to be the articles of incorporation of Amalco and, except for the purposes of subsection 117(1) of the Act, the certificate of amalgamation is deemed to be the certificate of incorporation of Amalco; and
- (f) Amalco shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating Corporation before the Effective Date.

## **8. Convertible Securities**

- (a) Following the Effective Time, any options outstanding for shares in KABN will thereafter entitle the holders thereof to acquire TPS Shares in lieu of KABN Common Shares, all upon the terms and subject to the conditions of such options.
- (b) Following the Effective Time, any warrants outstanding for shares in KABN will thereafter entitle the holders thereof to acquire TPS Shares for such warrants held in lieu of KABN Common Shares, all upon the terms and subject to the conditions of such warrants.

## **9. Delivery of Securities Following Amalgamation**

In accordance with normal commercial practice, as soon as practicable following the Effective Date, TPS, directly or through the Transfer Agent, shall issue certificates representing the appropriate number of TPS Shares to the former holders of KABN Shares.

## **10. Fractional Shares**

No fractional TPS Shares will be issued or delivered to any KABN Shareholders otherwise entitled thereto as a result of the Amalgamation, if any. Instead, the number of TPS Shares issued to each exchanging holder of KABN Shares will be rounded down to the nearest whole number.

## **11. Filing of Articles of Amalgamation**

If this Agreement is adopted by each of the Amalgamating Corporations as required by the OBCA, the Amalgamating Corporations agree that they will, jointly and together, file with the Director, agreed upon Articles of Amalgamation in the form prescribed under the OBCA.

## **12. Registered Office**

The registered office of Amalco shall be at 1-7357 Woodbine Avenue, Suite 605, Markham, ON L3R 6L3.

**13. Activities**

There shall be no restrictions on the business that Amalco may carry on or on the powers that Amalco may exercise. The directors of Amalco shall be authorized to borrow money on the credit of Amalco.

**14. Authorized Capital**

The authorized capital of Amalco shall consist of an unlimited number of common shares without nominal or par value.

**15. By-laws**

The by-laws of KABN shall be the by-laws of Amalco. Prior to the Effective Date a copy of such by-laws may be examined at 1-7357 Woodbine Avenue, Suite 605, Markham, ON, L3R 6L3 any time during regular business hours.

**16. Number of Directors**

The board of directors of Amalco shall consist of not less than three and not more than 10 directors, the exact number of which shall be determined by the directors from time to time.

**17. Initial Directors**

The first directors of Amalco shall be the persons whose names and addresses appear below:

<u>Name</u>	<u>Prescribed Address</u>	<u>Resident Canadian</u>
Houssam Kawtharani	1-7357 Woodbine Avenue Suite 605 Markham, ON L3R 6L3	Yes
Benjamin Kessler	1-7357 Woodbine Avenue Suite 605 Markham, ON L3R 6L3	No
David Lucatch	1-7357 Woodbine Avenue Suite 605 Markham, ON L3R 6L3	Yes
J. Patrick Mesina	1-7357 Woodbine Avenue Suite 605 Markham, ON L3R 6L3	Yes
Ravinder Mlait	1-7357 Woodbine Avenue Suite 605 Markham, ON L3R 6L3	Yes



The above directors will hold office from the Effective Date until the first annual meeting of shareholders of Amalco or until their successors are elected or appointed.

#### **18. Effective Time**

The Amalgamation shall take effect and go into operation at 12:01 a.m. on the Effective Date, or at such later time, or time and date, as may be determined by the directors or by special resolutions of the Amalgamating Corporations when this Agreement shall have been adopted as required by law; provided, however, that if the respective directors of either of the Amalgamating Corporations determine that it is in the best interests of the Amalgamating Corporations, or either of them, or of Amalco, not to proceed with the Amalgamation, then either of the Amalgamating Corporations may, by written notice to the other Parties, terminate this Agreement at any time prior to the Amalgamating Corporations being amalgamated, and in such event, the Amalgamation shall not take place notwithstanding the fact that this Agreement may have been adopted by the shareholders of the Amalgamating Corporations.

#### **19. Termination**

This Agreement may be terminated by the board of directors of each of the Amalgamating Corporations, notwithstanding the approval of this Agreement by the shareholders of the Amalgamating Corporations, at any time prior to the issuance of the Certificate of Amalgamation and following the termination of the Business Combination Agreement, without, except as provided in the Business Combination Agreement, any recourse by any Party hereto or any of their shareholders or other Persons.

#### **20. 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. Each Party hereby irrevocably attorns to the jurisdiction of the courts of the Province of Ontario in respect of all matters arising under or in relation to this Agreement.

#### **21. Further Assurances**

Each of the Parties agrees to execute and deliver such further instruments and to do such further reasonable acts and things as may be necessary or appropriate to carry out the intent of this Agreement.

#### **22. Time of the Essence**

Time shall be of the essence of this Agreement.

#### **23. Amendments**

This Agreement may only be amended or otherwise modified by written agreement executed by the Parties.

**24. Counterparts**

This Agreement may be signed in counterparts (including counterparts by facsimile), and all such signed counterparts, when taken together, shall constitute one and the same agreement, effective on this date.

**IN WITNESS WHEREOF** the Parties have executed this Agreement.

**TORINO POWER SOLUTIONS INC.**

By: \_\_\_\_\_  
Name:  
Title:

**KABN SYSTEMS NORTH AMERICA  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

**2733668 ONTARIO INC.**

By: \_\_\_\_\_  
Name:  
Title:

**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

**THIS AMENDMENT TO BUSINESS COMBINATION AGREEMENT** is made and has effect as of the 30<sup>th</sup> day of April, 2020.

**BETWEEN:**

**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** TPS, KABN and TPS Subco (collectively, the “**Parties**”) have entered into a Business Combination Agreement dated January 13, 2020 (the “**Business Combination Agreement**”), pursuant to which the Parties agreed to carry out a “three-cornered amalgamation” under the *Business Corporations Act* (Ontario) upon the terms and conditions set forth therein;

**AND WHEREAS** the Parties have agreed to amend the Business Combination Agreement as provided herein to extend the Termination Date in the Business Combination Agreement until May 31, 2020.

**NOW THEREFORE** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto hereby confirm, acknowledge, covenant and agree as follows:

## **ARTICLE 1 - INTERPRETATION**

### **Section 1.1 Nature of the Amendment**

This Agreement is an amendment to the Business Combination Agreement as contemplated thereby, and the Business Combination Agreement and this Agreement shall be

read together and have effect so far as practicable as though all the provisions thereof and hereof were contained in one instrument.

## **ARTICLE 2 - AMENDMENT**

### **Section 2.1 Amendment to Schedule A**

The Business Combination Agreement is hereby amended by deleting the definition of “Termination Date” in Schedule A to the Business Combination Agreement in its entirety and substituting therefor the following:

““**Termination Date**” means May 31, 2020.”

## **ARTICLE 3 - REPRESENTATIONS AND WARRANTIES**

### **Section 3.1 KABN**

KABN hereby represents and warrants in favour of TPS and TPS Subco that the representations and warranties provided in Article 3 of the Business Combination Agreement are true and correct in all material respects as at the date hereof, and, to the extent applicable, apply *mutatis mutandis* to this Agreement and the agreements, documents and instruments referred to herein.

### **Section 3.2 TPS and TPS Subco**

TPS and TPS Subco hereby represent and warrant in favour of KABN that the representations and warranties provided in Article 4 of the Business Combination Agreement are true and correct in all material respects as at the date hereof, and, to the extent applicable, apply *mutatis mutandis* to this Agreement and the agreements, documents and instruments referred to herein.

## **ARTICLE 4 - GENERAL**

### **Section 4.1 Consequential Amendments**

All provisions of the Business Combination Agreement are hereby amended as the context may require in order to give effect to the intention of this Agreement.

### **Section 4.2 Confirmation of the Business Combination Agreement**

Except as amended hereby, the Business Combination Agreement continues in full force and effect and all parties hereto hereby confirm and ratify all the provisions thereof. Any reference to the “**Business Combination Agreement**” contained in all present or future documents relating to this matter shall be deemed to refer to the Business Combination Agreement, as amended hereby.

**Section 4.3 Ratification, No Waiver**

The Parties hereby confirm that the entering into of this Agreement by the Parties shall not constitute waiver of or modification of or to any provision of the Business Combination Agreement or of any default or event of default or suspend, waive or affect any right of any of the Parties to demand strict compliance with and performance of any provision of the Business Combination Agreement.

**Section 4.4 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.

**Section 4.5 Binding Effect**

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns; “**successors**” includes any corporation resulting from the amalgamation of any party with any other corporation.

*[signature pages follow]*



**IN WITNESS WHEREOF** this Agreement has been executed and delivered by the parties hereto.

**TORINO POWER SOLUTIONS INC.**

Per: (signed) "Ravinder Mlait"  
Name: Ravinder Mlait  
Title: Chief Executive Officer

**KABN SYSTEMS NORTH AMERICA INC.**

Per: (signed) "David Lucatch"  
Name: David Lucatch  
Title: President

**2733668 ONTARIO INC.**

Per: (signed) "Ravinder Mlait"  
Name: Ravinder Mlait  
Title: President and Secretary

**THIS AMENDMENT TO BUSINESS COMBINATION AGREEMENT** is made and has effect as of the 31<sup>st</sup> day of May, 2020.

**BETWEEN:**

**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** TPS, KABN and TPS Subco (collectively, the “**Parties**”) have entered into a Business Combination Agreement dated January 13, 2020 (the “**Business Combination Agreement**”), pursuant to which the Parties agreed to carry out a “three-cornered amalgamation” under the *Business Corporations Act* (Ontario) upon the terms and conditions set forth therein;

**AND WHEREAS** the Parties have previously agreed to amend the Business Combination Agreement to extend the Termination Date in the Business Combination Agreement until May 31, 2020 and have agreed to further amend the Business Combination Agreement to extend the Termination Date in the Business Combination Agreement until June 15, 2020.

**NOW THEREFORE** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto hereby confirm, acknowledge, covenant and agree as follows:

## **ARTICLE 1 - INTERPRETATION**

### **Section 1.1 Nature of the Amendment**

This Agreement is an amendment to the Business Combination Agreement as contemplated thereby, and the Business Combination Agreement and this Agreement shall be read together and have effect so far as practicable as though all the provisions thereof and hereof were contained in one instrument.

## **ARTICLE 2 - AMENDMENT**

### **Section 2.1 Amendment to Schedule A**

The Business Combination Agreement is hereby amended by deleting the definition of “Termination Date” in Schedule A to the Business Combination Agreement in its entirety and substituting therefor the following:

““**Termination Date**” means June 15, 2020.”

## **ARTICLE 3 - REPRESENTATIONS AND WARRANTIES**

### **Section 3.1 KABN**

KABN hereby represents and warrants in favour of TPS and TPS Subco that the representations and warranties provided in Article 3 of the Business Combination Agreement are true and correct in all material respects as at the date hereof, and, to the extent applicable, apply *mutatis mutandis* to this Agreement and the agreements, documents and instruments referred to herein.

### **Section 3.2 TPS and TPS Subco**

TPS and TPS Subco hereby represent and warrant in favour of KABN that the representations and warranties provided in Article 4 of the Business Combination Agreement are true and correct in all material respects as at the date hereof, and, to the extent applicable, apply *mutatis mutandis* to this Agreement and the agreements, documents and instruments referred to herein.

## **ARTICLE 4 - GENERAL**

### **Section 4.1 Consequential Amendments**

All provisions of the Business Combination Agreement are hereby amended as the context may require in order to give effect to the intention of this Agreement.

**Section 4.2 Confirmation of the Business Combination Agreement**

Except as amended hereby, the Business Combination Agreement continues in full force and effect and all parties hereto hereby confirm and ratify all the provisions thereof. Any reference to the “**Business Combination Agreement**” contained in all present or future documents relating to this matter shall be deemed to refer to the Business Combination Agreement, as amended hereby.

**Section 4.3 Ratification, No Waiver**

The Parties hereby confirm that the entering into of this Agreement by the Parties shall not constitute waiver of or modification of or to any provision of the Business Combination Agreement or of any default or event of default or suspend, waive or affect any right of any of the Parties to demand strict compliance with and performance of any provision of the Business Combination Agreement.

**Section 4.4 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.

**Section 4.5 Binding Effect**

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns; “**successors**” includes any corporation resulting from the amalgamation of any party with any other corporation.

*[signature pages follow]*

**IN WITNESS WHEREOF** this Agreement has been executed and delivered by the parties hereto.

**TORINO POWER SOLUTIONS INC.**

Per: (signed) "Ravinder Mlait"  
Name: Ravinder Mlait  
Title: Chief Executive Officer

**KABN SYSTEMS NORTH AMERICA INC.**

Per: (signed) "David Lucatch"  
Name: David Lucatch  
Title: President

**2733668 ONTARIO INC.**

Per: (signed) "Ravinder Mlait"  
Name: Ravinder Mlait  
Title: President and Secretary

**Appendix B**

**TPS ANNUAL FINANCIAL STATEMENTS**

*[See attached.]*

**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.

/s/ SATURNA GROUP CHARTERED PROFESSIONAL ACCOUNTANTS 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>		
<b>Current assets</b>		
Cash and cash equivalents	10,861	67,205
Restricted cash (Note 3)	–	20,000
Amounts receivable	1,943	14,666
Prepaid expenses	396	346
<b>Total current assets</b>	<b>13,200</b>	<b>102,217</b>
<b>Non-current assets</b>		
Property and equipment (Note 4)	–	7,278
<b>Total assets</b>	<b>13,200</b>	<b>109,495</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	39,285	19,367
<b>Total liabilities</b>	<b>39,285</b>	<b>19,367</b>
<b>Shareholders' equity (deficit)</b>		
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)
<b>Total shareholders' equity (deficit)</b>	<b>(26,085)</b>	<b>90,128</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>13,200</b>	<b>109,495</b>

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.

**Appendix C**

**TPS INTERIM FINANCIAL STATEMENTS**

*[See attached.]*

**TORINO POWER SOLUTIONS INC.**

Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian dollars)

(unaudited)

**TORINO POWER SOLUTIONS INC.**Condensed statements of financial position  
(Expressed in Canadian dollars)

	March 31, 2020 \$	December 31, 2019 \$
	(unaudited)	
Assets		
Current assets		
Cash	5,004	10,861
Amounts receivable	1,407	1,943
Prepaid expenses	396	396
<b>Total assets</b>	<b>6,807</b>	<b>13,200</b>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	53,211	39,285
<b>Total liabilities</b>	<b>53,211</b>	<b>39,285</b>
Shareholders' deficit		
Share capital	7,162,975	7,162,975
Share-based payment reserve	576,682	576,682
Deficit	(7,786,061)	(7,765,742)
<b>Total shareholders' deficit</b>	<b>(46,404)</b>	<b>(26,085)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>6,807</b>	<b>13,200</b>

Nature of Operations and Continuance of Business (Note 1)  
Commitments (Note 6)

Approved and authorized for issuance by the Board of Directors on June 3, 2020:

/s/ "Ravinder Mlait"

Ravinder Mlait, Director

/s/ "Bryan Loree"

Bryan Loree, Director

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

**TORINO POWER SOLUTIONS INC.**

Condensed statements of operations and comprehensive loss  
(Expressed in Canadian dollars)  
(unaudited)

	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
Operating expenses		
Consulting fees (Note 3)	–	90,406
Insurance	–	2,712
Office and general	90	1,377
Professional fees	1,702	–
Rent	–	10,411
Research and development costs	–	883
Transfer agent and filing fees	18,527	4,217
Share-based compensation (Note 5)	–	49,203
Wages and benefits	–	41,158
<b>Total operating expenses</b>	<b>20,319</b>	<b>200,367</b>
<b>Net loss and comprehensive loss for the period</b>	<b>(20,319)</b>	<b>(200,367)</b>
<b>Loss per share, basic and diluted</b>	<b>–</b>	<b>–</b>
<b>Weighted average shares outstanding</b>	<b>59,722,988</b>	<b>55,842,988</b>

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

**TORINO POWER SOLUTIONS INC.**

Condensed statements of changes in equity  
(Expressed in Canadian dollars)  
(unaudited)

	Share capital		Share-based Payment reserve \$	Shares issuable \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$				
Balance, December 31, 2018	52,972,988	6,870,475	522,518	220,500	(7,523,365)	90,128
Shares issued pursuant to the settlement of debt	3,150,000	220,500	–	(220,500)	–	–
Fair value of stock options granted	–	–	49,203	–	–	49,203
Net loss for the period	–	–	–	–	(200,367)	(200,367)
Balance, March 31, 2019	56,122,988	7,090,975	571,721	–	(7,723,732)	(61,036)
Balance, December 31, 2019	59,722,988	7,162,975	576,682	–	(7,765,742)	(26,085)
Net loss for the period	–	–	–	–	(20,319)	(20,319)
Balance, March 31, 2020	59,722,988	7,162,975	576,682	–	(7,786,061)	(46,404)

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

**TORINO POWER SOLUTIONS INC.**

Condensed statements of cash flows  
(Expressed in Canadian dollars)  
(unaudited)

	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
Operating activities		
Net loss for the period	(20,319)	(200,367)
Items not involving cash:		
Share-based compensation	–	49,203
Changes in non-cash operating working capital:		
Amounts receivable	536	(14)
Accounts payable and accrued liabilities	13,926	102,381
Net cash used in operating activities	(5,857)	(48,797)
Decrease in cash	(5,857)	(48,797)
Cash, beginning of the period	10,861	67,205
Cash, end of the period	5,004	18,408

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

## **TORINO POWER SOLUTIONS INC.**

Notes to the condensed financial statements  
Three months ended March 31, 2020  
(Expressed in Canadian dollars)  
(unaudited)

### **1. Nature of Operations and Continuance of Business**

Torino Power Solutions Inc. (formerly Torino Ventures 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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

These condensed 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 period ended March 31, 2020, the Company has not generated any revenues and has incurred negative cash flow from operating activities. As at March 31, 2020, the Company has a working capital deficit of \$46,404 and an accumulated deficit of \$7,786,061. 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 condensed 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 condensed financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and using the accounting policies consistent with those in the audited financial statements as at and for the year ended December 31, 2019.

These condensed financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2019. Interim results are not necessarily indicative of the results expected for the fiscal year.



## TORINO POWER SOLUTIONS INC.

Notes to the condensed financial statements  
Three months ended March 31, 2020  
(Expressed in Canadian dollars)  
(unaudited)

### 2. Significant Accounting Policies (continued)

#### (b) Reclassifications

Certain of the prior period's figures have been reclassified to conform to the current period's presentation.

#### (c) 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. Related Party Transactions

(a) During the three months ended March 31, 2020, the Company incurred consulting fees of \$nil (2019 - \$45,000) to the Chief Executive Officer of the Company.

(b) During the three months ended March 31, 2020, the Company incurred consulting fees of \$nil (2019 - \$45,000) to the Chief Financial Officer of the Company.

### 4. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2019 and March 31, 2020	11,263,838	0.15

As at March 31, 2020, the following share purchase warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price \$	Expiry date
11,263,838	0.15	May 25, 2020

### 5. 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.

## TORINO POWER SOLUTIONS INC.

Notes to the condensed financial statements  
Three months ended March 31, 2020  
(Expressed in Canadian dollars)  
(unaudited)

### 5. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price \$
Outstanding, December 31, 2019	3,300,000	0.15
Expired	(1,000,000)	0.10
Outstanding, March 31, 2020	2,300,000	0.15

Additional information regarding stock options outstanding as at March 31, 2020, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.15	2,300,000	1.0	0.15

During the three months ended March 31, 2020, the Company recorded share-based compensation of \$nil (2019 - \$49,203) which was charged to operations. The weighted average fair value of stock options granted during the three months ended March 31, 2020 was \$nil (2019 - \$0.05) 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:

	2020	2019
Risk-free interest rate	—	2.00%
Expected life (in years)	—	1
Expected forfeitures	—	0%
Expected volatility	—	143%

### 6. Commitments

In connection with the acquisition of intellectual property from the University of Manitoba, the Company is required to make the milestone payments as follows:

- A payment of \$250,000 within 30 days of the Company achieving a cumulative gross sales of \$10 Million with respect to the product, licensing revenues and/or sublicensing revenues relating to the assigned rights and/or the invention.
- A payment of \$250,000 within 30 days of the Company achieving a cumulative gross sales of \$20 Million with respect to the product, licensing revenues and/or sublicensing revenues relating to the assigned rights and/or the invention.

## **TORINO POWER SOLUTIONS INC.**

Notes to the condensed financial statements

Three months ended March 31, 2020

(Expressed in Canadian dollars)

(unaudited)

### **7. Proposed Acquisition**

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 was approved by shareholders on March 31, 2020 and received conditional approval from the Canadian Securities Exchange in April 2020.

**Appendix D**

**KABN ANNUAL FINANCIAL STATEMENTS**

*[See attached.]*

# **KABN Systems North America Inc.**

**Financial Statements**

**(Canadian Dollars)**

**For the period From May 1, 2019 (Incorporation  
Date) to December 31, 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 December 31, 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 December 31, 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 December 31, 2019, and its financial performance and its cash flows for the period from May 1, 2019 (incorporation date) to December 31, 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 \$613,428 during the period ended December 31, 2019 and, as of that date there is a working capital deficit of \$186,688 and accumulated deficit of \$613,428. 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  
May 11, 2020  
Toronto, Ontario

**KABN Systems North America Inc.**  
**Statement of Financial Position**  
**As at December 31, 2019**

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**2019**

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**Assets**

**Current**

Due from Pegasus Fintech Canada Inc. (Note 10)	\$ 6,350
HST recoverable	55,361
Prepaid expenses and other current assets	237,800

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**299,511**

**Intangible assets** (Note 7) **1,176,963**

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**\$ 1,476,474**

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**Liabilities**

**Current**

Accrued expenses	\$ 363,444
Due to KABN (Gibraltar) Ltd. (Note 10)	122,755

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**486,199**

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**Shareholder's Equity**

Share capital	1,238,911
Reserve for warrants	364,792
Deficit	(613,428)

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**990,275**

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**\$ 1,476,474**

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*Commitments* (Note 10)

*Subsequent Events* (Note 14)

Approved by the Board (signed) "David Lucatch"  
Director

(signed) "Benjamin Kessler"  
Director



**KABN Systems North America Inc.**  
**Statement of Loss and Comprehensive Loss**  
**For the period from May 1, 2019 (incorporation date) to December 31, 2019**

	<b>2019</b>
<b>Fee revenue</b>	<b>\$ 15,277</b>
<b>Expenses</b>	
Agent fees	50,000
Bad debt expense	4,546
Consulting fees	36,000
General and administrative costs	9,035
Interest on convertible debt	703
Legal and audit fees	285,185
Marketing and communications	63,969
Program setup fees	10,000
Web and infrastructure	19,347
Amortization	168,137
	<b>646,922</b>
<b>Loss before other income</b>	<b>(631,645)</b>
<b>Other income</b>	
Foreign exchange gain, net	18,217
<b>Comprehensive loss</b>	<b>\$ (613,428)</b>
<b>Basic and diluted loss per share (Note 13)</b>	<b>(0.016)</b>

**KABN Systems North America Inc.**  
**Statement of Changes in Shareholders' Equity**  
**For the period from May 1, 2019 (incorporation date) to December 31, 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)	2,150,000	153,664	61,336	-	215,000
Issued in connection with convertible debt (Note 6)	257,030	18,370	7,333	-	25,703
Issued in connection with private placement (Note 8)	10,380,000	741,877	296,123	-	1,038,000
Comprehensive loss	-	-	-	(613,428)	(613,428)
<b>Balance, December 31, 2019</b>	<b>45,287,030</b>	<b>\$ 1,238,911</b>	<b>\$ 364,792</b>	<b>\$ (613,428)</b>	<b>\$ 990,275</b>

**KABN Systems North America Inc.****Statement of Cash Flows****For the period from May 1, 2019 (incorporation date) to December 31, 2019**

	<b>2019</b>
<b>Cash provided by (used in)</b>	
<b>Operations</b>	
Comprehensive loss	\$ (613,428)
Items not affecting cash	
Amortization	168,137
Foreign exchange gain, net	(18,217)
Bad debt expense	4,546
	<b>(458,962)</b>
<b>Net changes in non-cash working capital:</b>	
Increase in prepaid expenses and other current assets	(237,800)
Increase in accrued expenses	363,444
Increase in harmonized sales tax receivable	(55,361)
Increase in due from Pegasus Fintech Canada Inc.	(6,350)
	<b>(395,029)</b>
<b>Net cash used in operating activities</b>	
	<b>(668,674)</b>
<b>Investing</b>	
Purchase of intangible assets	(668,674)
<b>Financing</b>	
Proceeds from issuance of convertible debt	25,703
Proceeds from issuance of common shares and units	1,038,000
	<b>1,063,703</b>
<b>Net cash generated by financing activities</b>	
	<b>1,063,703</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>

**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 which provides organizations with a patent-pending enabled *Always On* identity validation and verification process for the US and Canada. As at December 31, 2019, Crypto KABN Holdings Inc. and KABN Gibcan Inc. held a combined 55.98% 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 December 31, 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 December 31, 2019, the Company has incurred net loss and deficit of \$613,428. As at December 31, 2019, the Company has a working capital deficit of \$186,688. 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 from operations 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. Such adjustments could be material.

These financial statements were authorized for issue by the Board of Directors on May 5, 2020.

**2. STATEMENT OF COMPLIANCE AND 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 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 December 31, 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 HST recoverable are classified under this category.

#### *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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Issuance of Units (Cont'd)**

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 shareholders of the Company excluding any costs of servicing equity other than common shares, by the weighted average number of common shares outstanding during the financial year, adjusted for bonus elements in common shares issued during the financial year.

*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 common shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential common 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Income Taxes (Cont'd)**

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 December 31, 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.

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.



**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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.

**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 recoverable. 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 December 31, 2019, the Company has harmonized sales tax recoverable of \$55,361. Management considers the collectibility of this amount to be probable and recognized the recoverable amount accordingly in the statement of financial position. If the tax regulator rules otherwise, this would result in the recoverable amount 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
- 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>(168,137)</b>
<b>Balance at December 31, 2019</b>	<b>\$ 1,176,963</b>

## **KABN Systems North America Inc.**

### **Notes to Financial Statements**

**December 31, 2019**

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#### **7. INTANGIBLES (Cont'd)**

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 December 31, 2019, the Company had issued 45,287,030 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.

On December 10, 2019, the Company issued 300,000 units at \$0.10 per share for total gross proceeds of \$25,000 and settlement of debt of \$5,000. Each unit consists of one common share and one-half share purchase warrant on the same terms as the 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	6,393,515
<b>Balance at December 31, 2019</b>	<b>0.15</b>	<b>6,393,515</b>

During the period ended December 31, 2019, the Company issued 6,393,515 share purchase warrants and recorded a total fair value of \$364,792.

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 rate of 1.35%. The second tranche of warrants assumed a risk-free interest rate of 1.55%. The third tranche of warrants assumed a risk-free interest rate of 1.69%. All three tranches of warrants were assumed to have an expected volatility of 150%, have an expected life of 18 months and no dividends expected. 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 December 31, 2019, \$122,755 (US\$ 94,514) 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, \$100,000 USD will be due to KABN (Gibraltar) Ltd, 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 December 31, 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 December 31, 2019, the Company has receivables of \$6,350 due 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 December 31, 2019 is summarized as follows:

	<b>December 31, 2019</b>
<hr/>	
<b>Financial Assets - at amortized cost:</b>	
Due from Pegasus Fintech Canada Inc.	\$ 6,350
HST recoverable	55,361
	<hr/>
	<b>\$ 61,711</b>
<hr/>	
	<b>December 31, 2019</b>
<hr/>	
<b>Financial Liabilities - at amortized cost:</b>	
Due to KABN (Gibraltar) Ltd.	\$ 122,755
Accrued expenses	363,444
	<hr/>
	<b>\$ 486,199</b>
<hr/>	

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.

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.

**11. FINANCIAL INSTRUMENTS (Cont'd)**

**Risk Exposure (Cont'd)**

*Liquidity Risk (Cont'd)*

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:

	<b>December 31, 2019</b>
Financial liabilities with contractual maturities	
Within 90 days or less	<b>\$ 486,199</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.

At December 31, 2019, the Company has no exposure 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, and accrued liabilities that are denominated in US dollars.

As at December 31, 2019, the Company has net financial liabilities of \$122,755 that are denominated in US dollars. Based on the above net exposure at December 31, 2019, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in a \$12,276 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**

	<b>December 31, 2019</b>
Comprehensive loss for the period ended December 31, 2019	<b>\$ (613,428)</b>
Weighted average number of common shares	<b>38,830,011</b>
Basic and diluted loss per share	<b>(0.016)</b>

**14. SUBSEQUENT EVENTS**

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. On March 31, 2020 the shareholders of TPS approved the reverse takeover of TPS by the Company. The proposed transaction remains subject to regulatory approval.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. In the first quarter of 2020 through the date of this report, the local and global markets experienced significant losses by the worldwide spread of COVID-19. As of the date of these financial statements, the extent to which the COVID-19 pandemic impacts the Company's financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain it or its impact, among others.

On February 15, 2020, the maximum period of nine months of no cash compensation for management services provided by KABN (Gibraltar) Ltd. had expired. KABN (Gibraltar) Ltd has agreed to provide management services on an interim basis at the rate of \$40,000 per month from the date of expiry to the date of finalization of the reverse-takeover transaction.

**Appendix E**

**KABN INTERIM FINANCIAL STATEMENTS**

*[See attached.]*



# **KABN Systems North America Inc.**

**Interim Condensed Financial Statements**

**(unaudited)**

**For the Three Month Period Ended  
March 31, 2020**

**KABN Systems North America Inc.**  
**Interim Condensed Statement of Financial Position**  
**As at March 31, 2020 and December 31, 2019**  
(unaudited)

	March 31, 2020	December 31, 2019
<b>Assets</b>		
<b>Current</b>		
Due from Pegasus Fintech Canada Inc. (Note 9)	\$ 2,613	\$ 6,350
Due from Torino Power Solutions Inc.	8,884	-
Harmonized sale tax recoverable	103,395	55,361
Prepaid expenses and other current assets	256,133	237,800
	371,025	299,511
Prepaid long term partnership	75,000	-
<b>Intangible assets</b> (Note 6)	<b>1,109,708</b>	<b>1,176,963</b>
	<b>\$ 1,555,733</b>	<b>\$ 1,476,474</b>

**Liabilities**

<b>Current</b>		
Accrued expenses	\$ 537,270	\$ 363,444
Due to KABN (Gibraltar) Ltd. (Note 9)	58,795	122,755
Loan and fee payable	165,000	-
	761,065	486,199

**Shareholders' Equity**

Share capital	1,238,911	1,238,911
Shares to be issued	229,500	-
Warrants	364,792	364,792
<b>Deficit</b>	<b>(1,038,535)</b>	<b>(613,428)</b>
	794,668	990,275
	<b>\$ 1,555,733</b>	<b>\$ 1,476,474</b>

*Subsequent events* (Note 13)

Approved by the Board                     "David Lucatch"                                         "Benjamin Kessler"                      
Director (Signed) Director (Signed)

**KABN Systems North America Inc.**  
**Interim Condensed Statement of Loss and Comprehensive Loss**  
**For the Three Month Period Ended March 31, 2020**  
(unaudited)

	March 31, 2020
<b>Revenue</b>	<b>\$ 80</b>
<b>Expenses</b>	
Amortization	67,255
Consulting fees	60,000
General and administrative costs	724
Interest expense	1,430
Legal and audit fees	167,486
Loan fees	15,000
Management fees	60,000
Marketing and communications	42,679
Web and infrastructure	5,757
	<b>420,331</b>
<b>Loss before the undernoted item</b>	<b>(420,251)</b>
<b>Other income, gains and losses</b>	
Foreign exchange loss	(4,856)
<b>Comprehensive loss, end of period</b>	<b>\$ (425,107)</b>

**Basic and diluted loss per share (Note 12)**

Basic and diluted	\$ (0.009)
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**Weighted average number of common shares outstanding**

Weighted average number of common shares	45,287,030
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**KABN Systems North America Inc.****Interim Condensed Statement of Changes in Shareholders' Equity****For the Three Month Period Ended March 31, 2020 and Period from May 1, 2019 (incorporation date) to December 31, 2019****(unaudited)**

	Number of Common Shares	Amount	Shares to be Issued	Reserve for Warrants	Deficit	Total
Balance, May 1 ,2019	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issued for initial license fees (Note 6)	32,500,000	325,000	-	-	-	325,000
Issued to settle debt (Note 7)	2,150,000	153,664	-	61,336	-	215,000
Issued in connection with convertible debt (Note 5)	257,030	18,370	-	7,333	-	25,703
Issued in connection with private placement (Note 7)	10,380,000	741,877	-	296,123	-	1,038,000
Comprehensive loss	-	-	-	-	(613,428)	(613,428)
Balance, December 31, 2019	45,287,030	1,238,911	-	364,792	(613,428)	990,275
Shares to be issued	-	-	229,500	-	-	229,500
Comprehensive loss	-	-	-	-	(425,107)	(425,107)
	45,287,030	\$ 1,238,911	\$ 229,500	\$ 364,792	\$ (1,038,535)	\$ 794,668

**KABN Systems North America Inc.**  
**Interim Condensed Statement of Cash Flows**  
**For the Three Month Period Ended March 31, 2020**  
(unaudited)

	<b>March 31, 2020</b>
<b>Cash provided by (used in)</b>	
<b>Operations</b>	
Net loss	\$ (425,107)
Items not affecting cash	
Amortization	67,255
Foreign exchange loss, net	4,856
Expenses payable in shares	195,000
	<b>(157,996)</b>
Net changes in non-cash working capital	
Increase in prepaid expenses and other current assets	(18,333)
Increase in prepaid partnership	(75,000)
Increase in accrued expenses	173,826
Increase in harmonized sales tax recoverable	(48,034)
Decrease in due from Pegasus Fintech Canada Inc.	3,737
Increase in due from Torino Power Solutions Inc.	(8,884)
Increase in due to KABN (Gibraltar) Ltd.	(68,816)
Increase in loan and fee payable	15,000
	<b>(184,500)</b>
<b>Financing</b>	
Proceeds from issuance of loan	150,000
Proceeds from advances on common stock private placement	34,500
	<b>184,500</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 Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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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 which provides organizations with a patent pending enabled *Always On* identity validation and verification process for the US and Canada. As at March 31, 2020, Crypto KABN Holdings Inc. and KABN Gibcan Inc. held a combined 55.98% 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 17357 Woodbine Avenue, Suite 605, Markham, ON, L3R 6L3.

The Company’s interim condensed financial statements as at March 31, 2020 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. 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 three month period ended March 31, 2020, the Company has incurred net loss of \$425,107 and deficit of \$1,038,535. As at March 31, 2020, the Company has a working capital deficit of \$390,040. 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 from operations 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 interim condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty. Such adjustments could be material.

These interim condensed financial statements were authorized for issue by the Board of Directors on June 4, 2020.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with the accounting policies disclosed in the audited financial statements for the fiscal year ended December 31, 2019.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the period from May 1, 2019 (incorporation date) to December 31, 2019. The principal accounting policies adopted are consistent with those of previous financial period, except for the policies as described in Note 3.

These interim condensed financial statements have been prepared on a historical cost convention. In addition, these interim condensed financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (Cont'd)**

These interim condensed financial statements have been prepared in Canadian dollars which is the functional currency and presentation currency of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies were adopted by the Company on January 1, 2020:

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
- 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.

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 are not expected to have any significant impact on the Company's financial statements.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's interim condensed 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 interim condensed 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.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont'd)**

Areas requiring a significant degree of estimation and judgment relate to the estimated useful life of intangibles, collectibility of harmonized sales tax recoverable and assessment of COVID-19 pandemic's impact on the Company's business. 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 has recently registered for its harmonized sales tax account with the tax regulator but has yet to file a return. As at March 31, 2020, the Company has harmonized sales tax recoverable of \$103,395. Management considers the collectability of this amount to be probable and recognized the recoverable amount accordingly in the interim condensed statement of financial position. If the tax regulator rules otherwise, this would result in the recoverable amount being fully or partially written off.

The Company has been closely monitoring developments related to COVID-19, including the existing and potential impact on global and local economies. The Company has implemented its business continuity plan ensuring minimal interruption to the business. Governments worldwide have since put in place various measures to contain the spread of the virus, which have directly and indirectly impacted many businesses. The COVID-19 pandemic presented some challenges in raising financing during the quarter ended March 31, 2020 but otherwise did not have other significant impact on the Company's financial statements for the period. The longer-term impacts of the COVID-19 situation will depend on future developments which are highly uncertain, rapidly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which the Company continues to monitor and take into consideration.

**5. CONVERTIBLE DEBT AND LOAN PAYABLE**

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 (see Note 7).

On February 3, 2020 the Company received a short term loan of \$150,000 repayable on March 2, 2020 that would carry no interest if repaid at maturity, however if the maturity date was missed interest would apply from the date of advance to the date of repayment at the rate of 6% per annum. The loan also carries a fixed lender fee of \$15,000 to be repaid at maturity. Subsequent to March 31, 2020 the lender agreed to settle the debt through a subscription into a private placement of common stock units (see Note 13).



**KABN Systems North America Inc.**  
**Notes to Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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**6. INTANGIBLE ASSETS**

	<b>Total</b>
Licensing rights - at cost May 1, 2019	\$ 1,345,100
Less: accumulated amortization	(168,137)
<b>Balance at December 31, 2019</b>	<b>1,176,963</b>
<b>Less: accumulated amortization</b>	<b>(67,255)</b>
<b>Balance at March 31, 2020</b>	<b>\$ 1,109,708</b>

On May 15, 2019, the Company entered into a sublicensing 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 (see Notes 7 and 9).

**7. 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 March 31, 2020 and December 31, 2019, the Company had issued 45,287,030 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 (see 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.

**KABN Systems North America Inc.**  
**Notes to Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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**7. SHARE CAPITAL (Cont'd)**

**Issued Share Capital (Cont'd)**

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. On December 10, 2019, the Company issued 300,000 units at \$0.10 per share for total gross proceeds of \$25,000 and settlement of debt of \$5,000. Each unit for both placements consists of one common share and one-half share purchase warrant on the same terms as the July closing described above.

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 1for10 share consolidation. This transaction will result in reverse takeover of TPS by the Company. On March 31, 2020 the shareholders of TPS approved the reverse takeover of TPS by the Company. The proposed transaction remains subject to final regulatory approval (see Note 13).

During the three month period ended March 31, 2020, the Company received advances of \$34,500 and service agreements to be settled in units in the next private placement for \$195,000. Once the financing closes the units will be issued. Each unit priced at \$0.15 per unit will consist of one common share and one-half share purchase warrant. Each whole warrant will entitle a holder to purchase one common share at \$0.20 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 \$0.30 or higher for 20 consecutive trading days on a regulated market.

**8. SHARE PURCHASE WARRANTS**

	<b>Weighted Average Exercise Price</b>	<b>Number Shares of Issuable on Exercise</b>
Issuance of warrants (Note 7)	\$ 0.15	6,393,515
<b>Balance at March 31, 2020 and December 31, 2019</b>	<b>\$ 0.15</b>	<b>6,393,515</b>

During the period ended December 31, 2019, the Company issued 6,393,515 share purchase warrants and recorded a total fair value of \$364,792. No warrants were issued during the three month period ended March 31, 2020.

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 rate of 1.35%. The second tranche of warrants assumed a risk-free interest rate of 1.55%. The third tranche of warrants assumed a risk-free interest rate of 1.69%. All three tranches of warrants were assumed to have an expected volatility of 150%, have an expected life of 18 months and no dividends expected. 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.

**KABN Systems North America Inc.**  
**Notes to Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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**9. 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 March 31, 2020, the initial license fee of \$1,345,100 (US\$ 1,000,000) recorded as an intangible asset has been paid in full to KABN (Gibraltar) Ltd. As at December 31, 2019, \$122,755 (US\$ 94,514) was outstanding on the initial license fee.

On the first anniversary of the license agreement, \$100,000 USD will be due to KABN (Gibraltar) Ltd, 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 was no cash compensation to management by the Company for the period ended December 31, 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.

On February 15, 2020, the maximum period of no cash compensation of nine months had expired. KABN (Gibraltar) Ltd has agreed to provide management services on an interim basis at the rate of \$40,000 per month from the date of expiry to the date of finalization of the reverse takeover transaction. For the three month ending March 31, 2020, \$60,000 has been billed by KABN (Gibraltar) Ltd. for management services of which \$1,205 has been paid as at March 31, 2020.

As at March 31, 2020, the Company has receivables of \$2,613 (December 31, 2019 - \$6,350) due from Pegasus Fintech Canada Inc., an affiliate controlled by a key management personnel of the Company.

**10. FINANCIAL INSTRUMENTS**

**Financial Assets and Liabilities**

Information regarding the Company's financial assets and liabilities as at March 31, 2020 and December 31, 2019 is summarized as follows:

	<b>March 31, 2020</b>	December 31, 2019
<b>Financial Assets - at amortized cost</b>		
Due from Pegasus Fintech Canada Inc.	\$ 2,613	\$ 6,350
Due from Torino Power Solutions Inc.	<b>8,884</b>	-
	<b>\$ 11,497</b>	<b>\$ 6,350</b>

**KABN Systems North America Inc.**  
**Notes to Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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**10. FINANCIAL INSTRUMENTS (Cont'd)**

**Financial Assets and Liabilities (Cont'd)**

	<b>March 31, 2020</b>	December 31, 2019
<b>Financial Liabilities - at amortized cost</b>		
Due to KABN (Gibraltar) Ltd.	\$ 58,795	\$ 122,755
Accrued expenses	<b>537,270</b>	363,444
Loan and fee payable	<b>165,000</b>	-
	<b>\$ 761,065</b>	<b>\$ 486,199</b>

The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the interim condensed 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 cooperation 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 (see Note 11).

*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 Torino Power Solutions Inc.

The Company did not have significant exposure to credit risk as at March 31, 2020 and December 31, 2019.

*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.

**KABN Systems North America Inc.**  
**Notes to Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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**10. FINANCIAL INSTRUMENTS (Cont'd)**

**Risk Exposure (Cont'd)**

The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 11. The Company's financial liabilities are comprised of its accrued expenses, loan and fee payable and Due to KABN (Gibraltar) Ltd., the contractual maturities of which are summarized as follows:

	<b>March 31, 2020</b>
<b>Financial liabilities with contractual maturities</b>	
Within 90 days or less	<b>\$ 761,065</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.

At March 31, 2020 and December 31, 2019, the Company has no significant exposure 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 accrued expenses and due to KABN (Gibraltar) Ltd. that are denominated in US dollars.

As at March 31, 2020 and December 31, 2019, the Company has no significant exposure to foreign currency risk.

**11. 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.

**KABN Systems North America Inc.**  
**Notes to Interim Condensed Financial Statements**  
**Three Month Period Ended March 31, 2020**  
(unaudited)

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**12. BASIC AND DILUTED LOSS PER SHARE**

	<b>March 31, 2020</b>
<b><u>Comprehensive loss for the three months ended March 31, 2020</u></b>	<b><u>\$ (425,107)</u></b>
<b><u>Weighted average number of common shares</u></b>	<b><u>45,287,030</u></b>
<b><u>Basic and diluted loss per share</u></b>	<b><u>\$ (0.009)</u></b>

**13. SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (“COVID19”) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID19 a pandemic. In the first quarter of 2020 through the date of this report, the local and global markets experienced significant losses by the worldwide spread of COVID19. As of the date of these interim condensed financial statements, the extent to which the COVID19 pandemic impacts the Company’s financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID19 pandemic and actions taken to contain it or its impact, among others.

On April 21, 2020, the Company received conditional approval from the Canadian Securities Exchange for the reverse take over transaction described in Note 7. Final approval requires closing of the minimum \$900,000 in common stock unit financing as well as completing the final listing statement including audited and interim reviewed financial statement by TPS and the Company.

On May 20, 2020, the Company closed its first tranche of a private placement priced at \$0.15 per unit and issued 6,279,913 units for gross proceeds of \$569,442 and settlement of debt/service agreements of \$205,005. Proceeds raised in advance of the closing is included in the closing. The closing also includes agreement to settle the bridge loan, loan fees and accrued interest totaling \$167,540. 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 \$0.20 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 \$0.30 or higher for 20 consecutive trading days on a regulated market.

On June 1, 2020, the Company closed its second tranche of a private placement priced at \$0.15 per unit and issued 8,210,999 units for gross proceeds of \$796,650 and settlement of debt/service agreements of \$435,000, on the same terms as the May 20, 2020 first tranche of the private placement.

**Appendix F**

**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

*[See attached.]*

**KABN SYSTEMS NA HOLDINGS CORP.**

Pro-Forma Consolidated Statement of Financial Position

(Unaudited – Prepared by Management)

December 31, 2019

(Expressed in Canadian dollars)



**KABN SYSTEMS NA HOLDINGS CORP.**

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. December 31, 2019	Note	Pro-Forma Adjustments	Pro-Forma Balance
	\$	\$		\$	\$
<b>Assets</b>					
<b>Current assets</b>					
Cash	10,861	–	3(c) 3(d)	1,608,137 (273,120)	1,345,878
Related party receivable	–	6,350			6,350
Accounts receivable	1,943	55,361			57,304
Prepaid expenses	396	237,800		565,500	803,696
<b>Total current assets</b>	<b>13,200</b>	<b>299,511</b>			<b>2,213,228</b>
<b>Non-current assets</b>					
Licensing rights	–	1,176,963			1,176,963
<b>Total non-current assets</b>	<b>–</b>	<b>1,176,963</b>			<b>1,176,963</b>
<b>Total assets</b>	<b>13,200</b>	<b>1,476,474</b>			<b>3,390,191</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	39,285	363,444			402,729
Due to related party licensor	–	122,755			122,755
<b>Total liabilities</b>	<b>39,285</b>	<b>486,199</b>			<b>525,484</b>
<b>Shareholders' Equity</b>					
Share capital	7,162,975	1,238,911	3(c) 3(d) 3(d) 3(b)	1,536,037 (13,410) (14,168) (7,162,975)	3,643,214
Reserves	576,682	364,792	3(b) 3(c) 3(d)	895,844 (576,682) 637,600	1,016,560
Accumulated deficit	(7,765,742)	(613,428)	3(d) 3(b) 3(b) 3(d)	14,168 7,765,742 (921,929) (259,710)	(1,795,067)
<b>Total shareholders' equity</b>	<b>(26,085)</b>	<b>990,275</b>			<b>2,864,707</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,200</b>	<b>1,476,474</b>			<b>3,390,191</b>
<b>Basis of presentation (Notes 1 &amp; 2)</b>					

**KABN SYSTEMS NA HOLDINGS CORP.**

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 KABN Systems NA Holdings Corp. (the “Company”) have been prepared by management in accordance with International Financial Reporting Standards from information derived from the audited consolidated financial statements of Torino Power Solutions Inc. (“TPS”) 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 December 31, 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 TPS along with the audited financial statements of KABN for the period from May 1, 2019 (date of incorporation) to December 31, 2019.

The unaudited pro-forma consolidated statement of financial position of the Company has been compiled using the significant accounting policies of TPS to December 31, 2019 and of KABN to December 31, 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**

TPS is currently listed on the Canadian Securities Exchange (CSE) under the symbol TPS.

On January 13 2020, TPS 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 TPS 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 TPS and concurrently TPS will change its name to KABN Systems NA Holdings Corp. Pursuant to the Amalgamation Agreement, TPS will acquire all of the issued and outstanding shares of KABN in exchange for issuance of common shares of TPS. The Transaction will result in the business of KABN becoming the business of TPS.

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 TPS in exchange for common shares of TPS on a one for one basis;

**KABN SYSTEMS NA HOLDINGS CORP.**

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) TPS will receive one fully paid and non-assessable common share of Amalco for each common share of Subco held by TPS, following which all such common shares of Subco will be cancelled;
- (d) KABN shares held by TPS as a result of the exchanges described in (b) above will be cancelled and TPS will receive one common share of Amalco for each KABN share that will be cancelled, and Amalco will be a wholly-owned subsidiary of TPS; and
- (e) Stock Options and Warrants of TPS 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 14,490,912 common shares issued pursuant to the financing), the issued and outstanding share capital of TPS is expected to consist of 57,259,328 common shares, undiluted. The former shareholders of KABN will hold 59,777,942 common shares of the Company, representing 91% 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 86,455,990 common shares. The former shareholders of KABN will hold 59,777,942 common shares of the Company, representing 69% of the post-Transaction issued and outstanding common shares of the Company.

Because the former shareholders of KABN will obtain control of TPS, the Transaction is considered a purchase of TPS 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 TPS'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. TPS currently has 59,722,988 common shares issued and outstanding. Prior to closing the transaction, there will be a consolidation of the TPS's issued and outstanding common shares on the basis of ten pre-consolidation shares for one post-consolidation share. Post-consolidation TPS will have 5,972,298 common shares issued and outstanding.

**KABN SYSTEMS NA HOLDINGS CORP.**

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 TPS in accordance with accounting guidance pertaining to reverse acquisitions under IFRS. All of the TPS'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 TPS

Post-consolidated outstanding common shares (i)	5,972,298	
Price per common share (i)	\$ 0.15	
		\$ 895,844
<b>Total Purchase Price</b>		<b>\$ 895,844</b>
Preliminary estimate of allocation of purchase price		
Net liabilities assumed (iii)		(26,085)
Charge related to public company listing		921,929
<b>Total Purchase Price</b>		<b>\$ 895,844</b>

**i) TPS's Issued and Outstanding Shares**

TPS'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).

**KABN SYSTEMS NA HOLDINGS CORP.**

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) Fair Market Value of TPS's Net Assets**

The fair market value of the TPS's net assets approximates their carrying values.

**iii) 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 completing a financing of 14,490,912 units at \$0.15 per unit for gross proceeds of \$2,173,637. 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. The Company estimates a fair value of the warrants to be \$637,600 with the residual value of \$1,536,037 to the common shares. Contractual arrangements for ongoing services settled by a subscription to the KABN financing where no cash was received by the Company are being recorded as prepaid expenses.
- d. The Company anticipates transaction costs will be \$259,710, share issuance costs will be \$13,410 in cash and \$14,168 in issuance costs for the estimated value of finder's warrants.

**4. INCOME TAXES**

No value has been ascribed to any acquired tax losses carried forward by TPS as part of the Transaction. TPS 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%.

**KABN SYSTEMS NA HOLDINGS CORP.**

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, December 31, 2019		45,287,030	1,238,911	364,792	(613,428)	990,275
Balance per audited financial statement of TPS, December 31, 2019		59,722,988	7,162,975	576,682	(7,765,742)	(26,085)
Consolidation of TPS shares		(53,750,690)	-	-	-	-
Transaction adjustment		-	(7,162,975)	(576,682)	7,765,742	26,085
Shares of KABN exchanged upon transaction		(45,287,030)	-	-	-	-
Shares of the Company issued upon transaction		45,287,030	895,844		(921,929)	(26,085)
Shares issued in concurrent financing		14,490,912	1,536,037	637,600	-	2,173,637
Share issuance costs		-	(27,578)	14,168	-	(13,410)
Transaction costs		-	-	-	(259,710)	(259,710)
<b>Balance, December 31, 2019</b>		<b>65,750,240</b>	<b>3,643,214</b>	<b>1,016,560</b>	<b>(1,795,067)</b>	<b>2,864,707</b>

**Appendix G**  
**TPS ANNUAL MD&A**  
*[See attached.]*

# 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.

**Appendix H**  
**TPS INTERIM MD&A**

*[See attached.]*

# Torino Power Solutions Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED March 31, 2020

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited financial statements and notes thereto for the period ended **March 31, 2020** 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 May 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 is 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 is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on May 13, 2011 are included in the December 31, 2015 consolidated financial statements at their historical carrying value. The consolidated financial statements are 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 Corporation 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 Corporation (“Milestone payment No.1”).

#### **Milestone payment 2**

Within 30 days of the Corporation 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 Corporation (“Milestone payment No.2”).

The following patents have been filed by the Company:

File Date	Country	App Type	Identification	Status
Method and apparatus for monitoring physical properties				
2012-08-20	United States	Substantive	US 8,829,924	Granted Patent
Cable Temperature Sensor				
2018-03-26	United States	Provisional	US 62648227	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 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. During the period ended March 31, 2020 the Company had a net loss of \$20,319 (2019 - \$200,367).

### **RESULTS OF OPERATIONS**

#### **Quarter ended March 31, 2020**

During the quarter ended March 31, 2020, the Company incurred expenses of \$20,319, primarily transfer agent fees of \$10,374, exchange and filing fees of \$8,153, professional fees (accounting and legal) of \$1,702, and office and general expenses of \$90. Net loss for the period ended March 31, 2020 was \$20,319.

### **SUMMARY OF QUARTERLY RESULTS**

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Quarter Ended March 31, 2020 \$	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 \$
	03/31/2020	12/31/2019	09/30/2019	06/30/2019	03/31/2019	12/31/2018	9/30/2018	6/30/2018
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	20,319	79,917	(10,773)	(111,154)	(200,367)	(132,235)	(236,011)	(260,531)
Loss per share, basic and diluted	-	-	-	-	-	-	-	(0.01)

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 \$20,319 during the period ended March 31, 2020 largely as a result of administrative costs for operating the Company.

During the quarter ended March 31, 2020, the Company incurred expenses of \$20,319 compared to \$200,912 for the quarter ended March 31, 2019. Expenses were primarily transfer agent fees of \$10,374 compared to \$2,015 during the period ended March 31, 2019. The increase was due to costs related to the AGM and Special meeting held on March 31, 2020. Exchange and filing fees were \$8,153 compared to \$2,202 for the period ended March 31, 2019. The increase was due to SEDAR fees related to the Company filing the Annual financial statements earlier than the previous year. Professional fees (accounting and legal) of \$1,702 compared to \$nil in 2019. The difference was due to legal fees incurred during the period ended March 31, 2020, which related to the proposed transaction with KABN Systems North America Inc. The Company had office and miscellaneous costs of \$90 compared to \$1,922 for the period ended March 31, 2019. The Company did not incur any other expenses during the three-month period ended March 31, 2020 as operations of the Company were significantly reduced. During the quarter ended March 31, 2019 other expenses consisted of consulting fees of \$90,406, of which \$90,000 was accrued consulting fees during the period, which were owed to officers and directors of the Company, development expenses were \$883, wages and benefits were \$41,158, rent was \$10,411, insurance costs were \$2,712, and share-based compensation due to stock options being granted was \$54,164. The Company earned \$nil in interest income during the period ended March 31, 2020 (2019 - \$545). Net loss for the period ended March 31, 2020 was \$20,319 (2019 - \$200,367).

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 June 30, 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, December 31, 2019, and March 31, 2020 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 begun commercial sales of any of its technology holdings and accordingly, the Company does not generate cash from operations. The Company finances its activities by raising capital from equity markets. The Company may encounter difficulty sourcing future financing in light of the recent economic downturn.

The Company had cash of \$5,004 at March 31, 2020 (2019 - \$18,408) and working capital deficiency of \$46,404 (2019 - \$68,314).

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 \$7,786,061 in losses from inception including a net loss of \$20,319 for the period ended March 31, 2020 (2019 - \$200,367), and working capital deficiency of \$46,404 at March 31, 2020 (2019 - \$68,314).

### **Operating Activities**

The Company used net cash of \$5,857 in operating activities during the period ended March 31, 2020 (2019 - \$48,797).

### **Financing Activities**

The Company received net cash of \$nil in financing activities during the periods ended March 31, 2020 and 2019.

### **Investing Activities**

The Company used net cash of \$nil in investing activities during the periods ended March 31, 2020 and 2019.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

During the period ended March 31, 2020, the Company accrued \$nil (2019 - \$90,000) in consulting fees to Directors of the Company.



## **PROPOSED TRANSACTIONS**

On January 13, 2020, the Company and entered into a definitive agreement with KABN Systems North America Inc. on January 13, 2020 in relation to a proposed reverse takeover (the “**RTO**”) as described in a news release dated November 26, 2019.

The proposed RTO is an arm’s length transaction and constitutes a fundamental change under the policies of the CSE and completion is subject to shareholder and CSE approval. Accordingly, trading in the shares of Torino has been halted, and will remain halted until the requirements of the CSE have been met and the resumption of trading is approved by the CSE. No finder’s fee is proposed for the transaction.

The Proposed Transaction will be structured as an amalgamation of KABN North America and a wholly-owned subsidiary of the Company whereby the shareholders of KABN North America will receive post-Consolidation common shares of the Company (“Torino Shares”) in exchange for their common shares of KABN North America (“KABN Shares”).

Completion of the Proposed Transaction is subject to a number of conditions, including receipt of all necessary shareholder and regulatory approvals, including approval of the existing shareholders of the Company, and conditional approval of the Canadian Securities Exchange (the “CSE”) for the listing of the common shares of the resulting issuer (the “Resulting Issuer”) following completion of the Proposed Transaction.

In connection with the Proposed Transaction, the Company will be required to, among other things: (i) change its name to a name requested by KABN North America and acceptable to applicable regulatory authorities (the “Name Change”), (ii) the Company will complete a 1-for-10 share consolidation (the “Consolidation”) and (iii) replace certain directors and officers of the Company on closing of the Proposed Transaction with nominees of KABN North America.

### **Shareholder Approval**

On March 31, 2020, the Company held its annual general and special meeting of common shareholders. All resolutions were passed at the meeting, including the following resolutions related to the Proposed Transaction:

- The ordinary resolution authorizing the business combination among the Company, 2733668 Ontario Inc. and KABN Systems North America Inc. (the “Business Combination”) on the terms and subject to the conditions contained in a Business Combination Agreement dated as of January 13, 2020 among the aforementioned parties.
- The ordinary resolution setting the number of directors of the resulting issuer (the “Resulting Issuer”) at five (5), conditional on and effective only upon the closing of the Business Combination.
- The ordinary resolution electing the election of Houssam (Sam) Kawtharani, Benjamin Kessler, David Lucatch, J. Patrick Mesina and Ravinder Mlait as directors of the Resulting Issuer, conditional on and effective upon the closing of the Business Combination.
- The ordinary resolution appointing RSM Canada LLP as the auditor of the Resulting Issuer to hold office conditional on and effective upon the closing of the Business Combination.
- A new stock option plan for the Resulting Issuer.

## **SUBSEQUENT EVENTS**

On April 22, 2020 the Company announced that it had received conditional approval from the Canadian Securities Exchange (“CSE”) for the RTO transaction. The conditions required to complete the listing of the post-RTO shares of the Company include the closing of the RTO, the closing of the proposed private placement by KABN North America and the completion of any and all outstanding CSE application documentation and payment of fees pursuant to their policies.

## **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, amounts receivable, accounts payable and accrued liabilities, and 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

During the periods ended March 31, 2020 and March 31, 2019, the Company incurred the following expenses:

	Quarter Ended March 31, 2019	Quarter Ended March 31, 2018
Development costs	\$nil	\$883
General and administrative costs	\$20,319	\$200,029

An analysis of material components of the Company's general and administrative expenses is disclosed in the unaudited financial statements for the period ended March 31, 2020 to which this MD&A relates.

## DISCLOSURE OF OUTSTANDING SHARE DATA

### Common Shares

As at March 31, 2020, the Company had 59,722,988 common shares issued and outstanding.

### Share Purchase Warrants

As at March 31, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
11,263,838	0.15	May 25, 2020
<u>11,262,838</u>		

### Stock Options

The Company had 2,300,000 stock options outstanding as at March 31, 2020 which had the following characteristics:

Number of Options	Exercise Price	Expiry Date
2,100,000	\$0.15	May 13, 2021
200,000	\$0.15	June 4, 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 Corporation currently does not generate revenue from its operations, and as a result, we face a high risk of business failure.**

The Corporation has a history of operating losses and may never achieve profitability in the future. The Corporation 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 Corporation 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 Corporation expects these expenses to result in continuing operating losses for the foreseeable future.

The Corporation'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 Corporation cannot assure that it can achieve these objectives.

### **Patents & IP**

The Corporation through its agreements with the University of Manitoba holds certain rights to existing patents and patent pending technology 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 Corporation's existing products and products currently under development obsolete. The Corporation'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, deterioration in technological performance, in product development or introduction, could damage the Corporation's competitive position in the market place and effect commercialization plans. There can be no assurance that the Corporation 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 Corporation 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 Corporation 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 Corporation'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 Corporation's success will depend in part upon successful new patent applications for its technology and protecting existing patents that the Corporation 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 Corporation's technology and products.

#### **Competition**

The planned business to be carried out by the Corporation will be highly competitive and involve a high degree of risk. There can be no assurance that the Corporation will be the only DTCR developer in North America or globally. In its efforts to achieve its objectives, the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation. 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 Corporation.

### **Dependence on Key Personnel**

The Corporation 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 Corporation'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 Corporation has not yet generated revenues and will likely operate at a loss as it looks to establish its first commercial DTCR products. The Corporation 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 Corporation 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 Corporation'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 Corporation'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 Corporation cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. Our consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Corporation 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 Corporation.

### **Costs of Maintaining a Public Listing**

As a result of seeking a public listing, the Corporation will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Corporation may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### **No Public Trading Market**

Currently there is no public market for the Securities of the Company, and there can be no assurance that an active market for the Offered Securities will develop or be sustained at any time. If an active public market for the Corporation's securities does not develop, the liquidity of an investor's investment may be limited and the share price may decline.

### **Share Price Volatility and Speculative Nature of Share Ownership**

If the Corporation successfully lists on a Canadian exchange, this may result in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Corporation 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 Corporation 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 Corporation's shares. The Corporation 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 Corporation'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 Corporation 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 Corporation.

### **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.

**Appendix I**

**RESULTING ISSUER OPTION PLAN**

*[See attached.]*



## KABN SYSTEMS NA HOLDINGS CORP.

### 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 KABN Systems NA Holdings Corp. (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 KABN Systems NA Holdings Corp., 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**

**KABN SYSTEMS NA HOLDINGS CORP.**

**OPTION AGREEMENT**

Notice is hereby given that effective the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the "Effective Date"), KABN Systems NA Holdings Corp. (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.

**KABN SYSTEMS NA HOLDINGS CORP.**

\_\_\_\_\_  
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 KABN Systems NA Holdings Corp. (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.