

# **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)	1,109,708	1,176,963
	\$ 1,555,733	\$ 1,476,474

**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>	(1,038,535)	(613,428)
	794,668	990,275
	\$ 1,555,733	\$ 1,476,474

*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.	8,884	-
	<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.