

**SOFTLAB9 SOFTWARE SOLUTIONS INC.**

Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of SoftLab9 Software Solutions Inc.

#### Opinion

We have audited the consolidated financial statements of SoftLab9 Software Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements, which indicates that the Company has not generated any revenues and incurred 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 \$690,343 and an accumulated deficit of \$7,474,729. 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 Consolidated 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance consolidated conclusion thereon.

In connection with our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

June 15, 2020

**SoftLab9 Software Solutions Inc.**

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	December 31, 2019 \$	December 31, 2018 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	7,148	59,074
Amounts receivable	140,598	158,150
Prepaid expenses and deposits	25,000	116,685
Loan receivable	–	20,165
<b>TOTAL CURRENT ASSETS</b>	<b>172,746</b>	<b>354,074</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment (Note 5)	–	101,014
<b>TOTAL ASSETS</b>	<b>172,746</b>	<b>455,088</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 11)	705,463	471,621
Loans payable (Note 6)	125,000	–
Due to related parties (Note 11)	32,626	–
<b>TOTAL LIABILITIES</b>	<b>863,089</b>	<b>471,621</b>
<b>SHAREHOLDERS' DEFICIT</b>		
Share capital	5,640,025	5,083,726
Share subscriptions receivable (Note 7)	(15,653)	–
Share-based payment reserve	1,232,253	294,931
Deficit	(7,474,729)	(5,322,951)
<b>TOTAL SOFTLAB9 SOFTWARE SOLUTIONS INC. SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>(618,104)</b>	<b>55,706</b>
Non-controlling interest	(72,239)	(72,239)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(690,343)</b>	<b>(16,533)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>172,746</b>	<b>455,088</b>

Nature of operations (Note 1)

Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on June 15, 2020:

/s/ "Rahim Mohamed"

Rahim Mohamed, Director

/s/ "Derrick Lewis"

Derrick Lewis, Director

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

**SoftLab9 Software Solutions Inc.**

## Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended December 31, 2019 \$	Year ended December 31, 2018 \$
REVENUE	–	44
EXPENSES		
Advertising and marketing fees (Note 11)	72,014	306,544
Amortization (Note 5)	15,000	30,231
Consulting and management fees (Note 11)	647,518	562,862
General and administrative (Note 11)	139,142	452,838
Professional fees	21,793	263,386
Research and development costs (Note 11)	64,667	663,340
Share-based compensation (Note 10)	970,832	294,931
Transfer agent and filing fees	45,160	74,279
Travel	3,766	73,162
TOTAL EXPENSES	1,979,892	2,721,573
LOSS BEFORE OTHER INCOME (EXPENSE)	(1,979,892)	(2,721,529)
OTHER INCOME (EXPENSE)		
Forgiveness of related party debt (Note 11)	–	275,180
Impairment of property and equipment (Note 5)	(10,555)	(318,512)
Impairment of intangible assets (Note 4)	–	(408,589)
Impairment of goodwill (Notes 3 and 7)	–	(1,960,962)
Loss on disposal of property and equipment (Note 5)	(75,459)	–
Loss on settlement of debt (Note 7)	(85,872)	–
NET LOSS AND COMPREHENSIVE LOSS	(2,151,778)	(5,134,412)
Less: net loss attributable to the non-controlling interest	–	83,501
NET LOSS ATTRIBUTABLE TO SOFTLAB9 SOFTWARE SOLUTIONS INC.	(2,151,778)	(5,050,911)
Loss per share attributed to Softlab9 Software Solutions Inc., basic and diluted	(0.37)	(1.23)
Weighted average number of common shares outstanding	5,872,963	4,119,808

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

**SoftLab9 Software Solutions Inc.**

## Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of common shares	Share capital \$	Share subscriptions receivable \$	Share- based payment reserve \$	Deficit \$	Non- controlling interest \$	Total \$
Balance, December 31, 2018	5,656,547	5,083,726	–	294,931	(5,322,951)	(72,239)	(16,533)
Shares issued to settle debt	3,870,744	464,489	–	–	–	–	464,489
Shares issued pursuant to stock options exercised	255,385	74,310	(15,653)	(33,510)	–	–	25,147
Shares issued for services	19,231	17,500	–	–	–	–	17,500
Shares returned and cancelled	(1,550,342)	–	–	–	–	–	–
Fair value of stock options granted	–	–	–	970,832	–	–	970,832
Net loss for the year	–	–	–	–	(2,151,778)	–	(2,151,778)
Balance, December 31, 2019	8,251,565	5,640,025	(15,653)	1,232,253	(7,474,729)	(72,239)	(690,343)

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

**SoftLab9 Software Solutions Inc.**

## Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of common shares	Share capital \$	Special warrants \$	Warrant reserve \$	Share- based payment reserve \$	Deficit \$	Non- controlling interest \$	Total \$
Balance, December 31, 2017	6	150	–	–	–	(272,040)	–	(271,890)
Shares issued for share exchange agreement	3,763,190	2,146,667	–	–	–	–	11,262	2,157,929
Shares issued as finder's fees for acquisition	144,872	282,500	–	–	–	–	–	282,500
Special warrants issued for cash	–	–	1,930,000	–	–	–	–	1,930,000
Special warrants issuance costs	5,128	10,000	(217,358)	–	–	–	–	(207,358)
Finder's warrants issued	–	–	(132,583)	132,583	–	–	–	–
Conversion of special warrants	1,374,923	1,930,000	(1,930,000)	–	–	–	–	–
Conversion of special warrants issuance costs	–	(349,941)	349,941	–	–	–	–	–
Shares issued pursuant to warrant exercises	94,923	317,683	–	(132,583)	–	–	–	185,100
Shares issued for services	17,095	46,667	–	–	–	–	–	46,667
Shares issued for share exchange agreement	256,410	700,000	–	–	–	–	–	700,000
Share based payments	–	–	–	–	294,931	–	–	294,931
Net loss for the year	–	–	–	–	–	(5,050,911)	(83,501)	(5,134,412)
Balance, December 31, 2018	5,656,547	5,083,726	–	–	294,931	(5,322,951)	(72,239)	(16,533)

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

**SoftLab9 Software Solutions Inc.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended December 31, 2019 \$	Year ended December 31, 2018 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(2,151,778)	(5,134,412)
Items not involving cash:		
Amortization	15,000	30,231
Forgiveness of related party debt	–	(275,180)
Impairment of goodwill	–	1,960,962
Impairment of intangible assets	–	408,589
Impairment of property and equipment	10,555	318,512
Loss on disposal of property and equipment	75,459	–
Loss on settlement of debt	85,872	–
Shares issued for services	17,500	46,667
Share-based compensation	970,832	294,931
Change in non-cash working capital items:		
Amounts receivable	17,552	(124,647)
Prepaid expenses	91,685	(13,485)
Accounts payable and accrued liabilities	612,459	314,869
Due to related parties	32,626	–
<b>Net cash used in operating activities</b>	<b>(222,238)</b>	<b>(2,172,963)</b>
<b>INVESTING ACTIVITIES</b>		
Cash acquired on acquisition	–	806,319
Loan receivable advance	–	(20,165)
Repayment of loan receivable	20,165	–
Purchase of equipment	–	(446,859)
<b>Net cash provided by investing activities</b>	<b>20,165</b>	<b>339,295</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans payable	125,000	–
Repayment of loan payable	–	(15,000)
Proceeds from issuance of special warrants	–	1,930,000
Special warrants issuance costs	–	(207,358)
Proceeds from exercise of share purchase warrants	–	185,100
Proceeds from exercise of stock options	25,147	–
<b>Net cash provided by financing activities</b>	<b>150,147</b>	<b>1,892,742</b>
Change in cash	(51,926)	59,074
Cash, beginning of year	59,074	–
<b>Cash, end of year</b>	<b>7,148</b>	<b>59,074</b>
Non-cash investing and financing activities:		
Shares issued pursuant to reverse takeover transaction	–	2,146,667
Shares issued for finder's fee	–	10,000
Conversion of special warrants into shares	–	1,580,059
Fair value of warrants exercised transferred to share capital	–	132,583
Fair value of stock options exercised transferred to share capital	33,510	–
Shares issued pursuant to share exchange agreement	–	700,000
Shares issued to settle debt	464,489	–
Share purchase warrants issued as finder's fees	–	132,583

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



## **Softlab9 Software Solutions Inc.**

Notes to the Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Softlab9 Software Solutions Inc. (formerly Appx Group Holdings Inc.) (the “Company”) is a start-up technology incubator, specializing in launching, acquiring and vertically integrating technology companies. The Company incubates multiple mobile technologies internally while providing engineering, capital, executive management and strategic development services. The Company’s head office is located at Suite 6050, 815 Hornby Street, Vancouver, BC.

The Company was incorporated as CDN BVentures Ltd. on October 30, 2014 under the Business Corporations Act (British Columbia) as a wholly-owned subsidiary of a reporting issuer, Web Watcher Systems Ltd. (“Web Watcher”). On December 9, 2014, Web Watcher entered into an arrangement agreement (the “Arrangement Agreement”) with the Company. Under the terms of the Arrangement Agreement, Web Watcher was to complete a plan of arrangement which would divest Web Watcher of the asset consisting of a letter of intent, which would be divested to the Company for consideration of 960,234 common shares of the Company. Web Watcher received shareholder approval for the Arrangement Agreement at an annual general and special meeting of shareholders held on January 29, 2015 and received final approval to the Arrangement Agreement from the Supreme Court of British Columbia on February 5, 2015. The Arrangement Agreement was completed on October 24, 2017.

On October 26, 2017, the Company completed a share exchange agreement (the “Transaction”) with APPx Technologies Inc. (formerly Appature Technologies Inc.) (“ATI”). ATI was incorporated on December 31, 2007 under the laws of the province of British Columbia, Canada.

On March 2, 2018, the Company completed a share exchange agreement (the “Transaction”) with RewardDrop Software Inc. (“RSI”) was incorporated was incorporated under the Canada Business Corporation Act as a private company on August 22, 2017. Under the terms of the Transaction, the Company issued 2,564,102 common shares in exchange for 150 of issued and outstanding shares of RewardDrop Software Inc., which represents 100% ownership of RSI. As a result of the Transaction, the shareholders of RSI owned 68.2% of APPX. Refer to Note 3.

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 consolidated financial statements have been prepared on the assumption the Company will continue as a going concern. During the year ended, the Company has not generated any revenues and incurred negative cash flows from operations. As at December 31, 2019, the Company has a working capital deficit of \$690,343, and an accumulated deficit of \$7,474,729. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These factors indicate existence of a material uncertainty that may cast doubt on the Company’s ability to continue as a going concern. These consolidated 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) Statement of Compliance**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee.

#### **(b) Basis of Presentation**

These consolidated financial statements include the accounts of the Company and its 90.56% owned subsidiary, ATI and ATI’s wholly-owned subsidiary, APPx Technologies Inc. (AB) and wholly owned subsidiary, RewardDrop Software Inc. All significant inter-company balances and transactions have been eliminated on consolidation.

## Softlab9 Software Solutions Inc.

Notes to the Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Basis of Presentation (continued)

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars, which is the Company's functional and reporting currency.

#### (c) Application of New IFRS

##### *IFRS 16 Leases*

On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments, and leases of low-value assets.

The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective method, with no significant impact on the Company's consolidated financial statements. The Company left its office premises in early 2019.

#### (d) Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that effect the amounts reported in the consolidated financial statements and notes thereto. Actual amounts could differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. The impact of changes to estimates are recognized in the year estimates are revised and may impact future periods.

##### *Critical Accounting Judgments:*

##### Categories of Financial Instruments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy, which involves judgments or assessments made by management.

##### Going Concern Assumption

Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

##### *Critical Accounting Estimates:*

##### Unrecognized Deferred Income Tax Assets

Unrecognized deferred income tax assets are made using the best estimate of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

**Softlab9 Software Solutions Inc.**

Notes to the Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) Significant Accounting Judgments and Estimates (continued)

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Company is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

Fair Values of Share-based Compensation

The Company is required to recognize at the acquisition date the fair values of share-based compensation for assets acquired based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable and which involves estimates.

Useful Life of Property and Equipment

Property and equipment is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate on the useful life of the equipment. The Company reviews its estimate of the useful life of depreciable assets at each reporting date.

Recoverability of Intangible Assets

The Company assesses the carrying values of its intangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of the assets cannot be recovered, the unrecoverable amounts are charged against net loss. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production, and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, future cash flows, and profit margins. A material change in assumptions may significantly impact the potential impairment of these assets.

(e) 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.

(f) Property and Equipment

Property and equipment is recorded at cost. The Company depreciates the cost of property and equipment over their estimated useful lives at the following rates:

Computer equipment	2 years straight-line
Furniture and equipment	5 years straight-line
Leasehold improvements	5 years straight-line

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other income in the statement of operations.

**Softlab9 Software Solutions Inc.**

Notes to the Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

(g) 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 consolidated statement of operations.

Fair value estimates are made at the consolidated 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	Amortized cost
Amounts receivable	Amortized cost
Loan receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Due to related parties	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.

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.

**Softlab9 Software Solutions Inc.**

Notes to the Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) Financial Instruments (continued)

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 consolidated 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 consolidated 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.

(h) 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.

## Softlab9 Software Solutions Inc.

Notes to the Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) 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 tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (j) 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 consolidated statement of operations.

#### (k) Research and Development

Research and development costs are charged to the consolidated statement of operations as incurred.

#### (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 340,000 (2018 – 416,233) of potentially dilutive shares relating to stock options and share purchase warrants.

#### (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 consolidated statement of operations.

**Softlab9 Software Solutions Inc.**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

## (n) Accounting Standards Issued But Not Yet Effective

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**3. ACQUISITION OF REWARDDROP SOFTWARE INC.**

On March 2, 2018, the Company completed the Transaction with RSI. Upon closing of the Transaction, the former shareholders of RSI owned 68.2% of the combined entity, APPX's board of directors and senior management were reconstituted and consist of the directors and senior management of RSI. Given the majority ownership of the common shares of the Company and the representation on the Company's Board of Directors and senior management are held by the former shareholders of RSI, RSI has the power to govern the financial and operating policies so as to obtain benefits from the activities of the Company. The Transaction constitutes a reverse acquisition where RSI is considered the accounting acquirer of APPX.

The acquisition is constituted a reverse takeover ("RTO") under IFRS 3, *Business Combinations* by RSI for the net assets of the APPX, as a result of reverse acquisition accounting, these consolidated financial statements represent a continuation of RSI's financial statements and the acquisition of the Company.

The fair value of the 70 common shares of the Company that were deemed to have been issued and retained by the former shareholders of the Company was \$2,146,667 which was determined based on the fair value of RSI as determined by a third-party valuator on the date of the Transaction as follows:

	\$
Fair value of RSI, at date of acquisition	4,600,000
Number of shares issued and outstanding of RSI, at date of acquisition	150
Per share value of RSI, at date of acquisition	30,667
Number of RSI shares issued to former shareholders of APPX	70
Fair value of RSI shares issued to former shareholders of APPX	2,146,667

The fair value of all consideration given up to acquire APPX is as follows:

	\$
Fair value of RSI shares issued to former shareholders of APPX	2,146,667
Finders shares - 1,883,333 shares at \$0.15 per share	282,500
Fair value of RSI shares issued to former shareholders of APPX	2,429,167
Plus: Non-controlling interest held in APPX	11,262
Fair value of consideration given up to acquire APPX	2,440,429
Less fair value of identifiable assets and liabilities of APPX acquired:	
Cash	806,319
Amounts receivable	10,107
Prepaid expenses	88,200
Intangible assets	411,487
Loan receivable	23,396
Accounts payable and accrued liabilities	(145,042)
Loan payable	(15,000)
Net assets acquired	1,179,467
Goodwill on acquisition	1,260,962

During the year ended December 31, 2019, the Company recognized a \$nil (2018 - \$1,260,962) impairment of goodwill due to the uncertainty of future cash flows.

**Softlab9 Software Solutions Inc.**

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**4. INTANGIBLE ASSETS**

During the year ended December 31, 2018, the Company recorded an impairment on intangible assets of \$408,589 due to the inability of the Company to generate significant revenues and it no longer appears that there is a market to sell these particular mobile applications.

**5. PROPERTY AND EQUIPMENT**

	Crypto Mining Equipment \$	Computer Equipment \$	Furniture and Equipment \$	Leasehold Improvements \$	Total \$
Cost:					
Balance, December 31, 2017	–	–	–	–	–
Additions	318,512	70,545	41,416	16,386	446,859
Impairment	(318,512)	–	–	–	(318,512)
Balance, December 31, 2018	–	70,545	41,416	16,386	128,347
Additions	–	–	–	–	–
Impairment/disposal	–	(70,545)	(41,416)	(16,386)	(128,347)
Balance, December 31, 2019	–	–	–	–	–
Accumulated amortization:					
Balance, December 31, 2017	–	–	–	–	–
Additions	–	18,744	4,810	3,779	27,333
Balance, December 31, 2018	–	18,744	4,810	3,779	27,333
Additions	–	11,502	1,446	2,052	15,000
Impairment/disposal	–	(30,246)	(6,256)	(5,831)	(42,333)
Balance, December 31, 2019	–	–	–	–	–
Carrying amounts:					
As at December 31, 2018	–	51,801	36,606	12,607	101,014
As at December 31, 2019	–	–	–	–	–

During the year ended December 31, 2019, the Company recognized an impairment of \$10,555 for its leasehold improvements as it left its office premises. During the year ended December 31, 2019, the Company disposed of property and equipment with a net carrying value of \$75,459 for \$nil as part of the release agreements signed with former officers of the Company.

As at December 31, 2018, the Company recognized an impairment of \$318,512 for its crypto currency mining equipment due to the significant decline in the crypto currency market during the year which resulted in the Company halting its planned operations in this area.

**6. LOANS PAYABLE**

- (e) As at December 31, 2019, the amount of \$50,000 (2018 - \$nil) is owed to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (f) As at December 31, 2019, the amount of \$50,000 (2018 - \$nil) is owed to a non-related party which is non-interest bearing, unsecured, and due on demand.
- (g) As at December 31, 2019, the amount of \$25,000 (2018 - \$nil) is owed to the father of a director of the Company which is non-interest bearing, unsecured, and due on demand.



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### 7. SHARE CAPITAL

Share transactions during the year ended December 31, 2019:

- (a) On March 11, 2019, the Company consolidated its common shares on the basis of 1 new common share for every 1.5 existing common shares. All share and per share numbers have been retroactively restated.
- (b) On March 14, 2019, the Company issued 19,231 common shares with a fair value of \$17,500 for consulting services rendered.
- (c) On May 16, 2019, 1,550,342 common shares were returned to the Company from former officers of the Company and cancelled.
- (d) On August 28, 2019, the Company consolidated its common shares on the basis of 1 new common share for every 13 existing common shares. All share and per share numbers have been retroactively restated.
- (e) On September 2, 2019, the Company issued 2,862,411 common shares with a fair value of \$343,489 to settle debt of \$257,617 resulting in a loss of \$85,872. Included in this issuance were 555,000 common shares to settle debt of \$50,000 owed to the former CFO of the Company, 398,890 common shares to settle debt of \$35,900 owed to a director of the Company, and 1,441,300 common shares issued to settle debt of \$129,717 owed to a company controlled by the CEO of the Company.
- (f) On October 22, 2019, the Company issued 1,008,333 common shares with a fair value of \$121,000 to settle debt of \$121,000.
- (g) During the year ended December 31, 2019, the Company issued 255,385 common shares for proceeds of \$40,800 pursuant to the exercise of stock options, of which \$15,653 was receivable as at December 31, 2019. The fair value of \$33,510 for the stock options exercised was transferred to share capital from share-based payment reserve.

Share transactions during the year ended December 31, 2018:

- (h) On March 2, 2018, RSI issued 48,921,478 common shares pursuant to the merger with the Company. The Company issued 144,872 common shares with a fair value of \$282,500 as a finder's fee on the transaction. Refer to Note 4.
- (i) On March 13, 2018, the Company issued 5,128 common shares with a fair value of \$10,000 pursuant to an agency agreement.
- (j) On July 5, 2018 and July 30, 2018, the Company converted 1,374,923 special warrants into common shares of the Company. Refer to Notes 8(a) and (b).
- (k) On November 9, 2018, the Company issued 17,094 common shares with a fair value of \$46,667 for consulting services.
- (l) On November 9, 2018, the Company issued 256,410 common shares with a fair value of \$700,000 pursuant to the acquisition of Santos Torres Ltd. During the year ended December 31, 2018, the Company recognized a \$700,000 impairment of goodwill due to the uncertainty of recoverability as the acquired company has no assets or liabilities.
- (m) On November 13, 2018, the Company issued 94,923 common shares for proceeds of \$185,100 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants of \$132,853 was transferred from warrant reserve to share capital.

Shares issued by the Company prior to the reverse takeover acquisition:

- (n) On January 10, 2018, the Company issued 46,174 common shares to settle accounts payable of \$90,039.

## **Softlab9 Software Solutions Inc.**

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### **7. SHARE CAPITAL (continued)**

Shares issued by the Company prior to the reverse takeover acquisition:

- (o) On February 27, 2018, the Company completed a non-brokered private placement of 385,179 special warrants in the capital of the Company at a price of \$1.95 per special warrant for proceeds of \$751,100, of which \$64,045 was received as at December 31, 2017. The special warrants are exercisable by the holders thereof at any time after February 27, 2018 for no additional consideration and all unexercised special warrants will be deemed to be exercised without any further action on the part of the holder on the earlier of: (a) June 28, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each of the provinces of Canada where the special warrants are sold, qualifying the common shares to be issued upon the exercise or deemed exercise of the special warrants. In connection with this private placement of special warrants, the Company issued 23,786 common shares and 10,256 share purchase warrants with each warrant entitling the holder to purchase one additional common share exercisable at \$4.88 per share until February 28, 2019.
- (p) On February 27, 2018, the Company issued 31,621 common shares to settle debt of \$61,661.

### **8. SPECIAL WARRANTS**

Special warrants transactions after the reverse asset acquisition:

- (a) On March 13, 2018, the Company closed a brokered private placement of 989,744 special warrants at a price of \$1.95 per special warrant for gross proceeds of \$1,930,000. Each special warrant is exercisable by the holder to receive one common share of the Company for no additional consideration, and all unexercised special warrants will be deemed to be exercised without any further action on the earlier of: (a) July 14, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each province where the special warrants were sold, qualifying the common shares to be issued upon the exercise of the special warrants. These were converted to common shares on July 30, 2018.

Pursuant to an agency agreement entered into between the Company and the Agent, an aggregate of 69,282 share purchase warrants were issued to the Agent, representing 7% of the special warrants sold. An additional 25,641 share purchase warrants were issued to the Agent in consideration of advisory services rendered under the agreement. Each warrant issued to the Agent is exercisable at a price of \$1.95 per share for a period of two years. The share purchase warrants issued were fair valued at \$132,583 using the Black-Scholes option pricing model assuming no expected dividends, no forfeitures, a risk-free rate of 1.79%, expected volatility of 150%, and expected life of two years. The Company paid the Agent \$135,100 and incurred share issuance costs of \$72,258. In addition, the Company issued 5,128 common shares with a fair value of \$10,000 pursuant to the agency agreement.

Special warrants transactions before the reverse asset acquisition:

- (b) On February 27, 2018, the Company completed a non-brokered private placement of 385,179 special warrants in the capital of the Company at a price of \$1.95 per special warrant for proceeds of \$751,100, of which \$64,045 was received as at December 31, 2017.

The special warrants are exercisable by the holders thereof at any time after February 27, 2018 for no additional consideration and all unexercised special warrants will be deemed to be exercised without any further action on the part of the holder on the earlier of: (a) June 28, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each of the provinces of Canada where the special warrants are sold, qualifying the common shares to be issued upon the exercise or deemed exercise of the special warrants. In connection with this private placement of special warrants, the Company issued 23,786 common shares and 10,256 share purchase warrants with each warrant entitling the holder to purchase one additional common share exercisable at \$4.88 per share until February 28, 2019. These special warrants were converted to common shares on July 5, 2018.

**Softlab9 Software Solutions Inc.**

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**9. SHARE PURCHASE WARRANTS**

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2017	–	–
Issued	1,480,102	1.97
Exercised	(1,469,846)	1.95
Balance, December 31, 2018	10,256	4.88
Expired	(10,256)	4.88
Balance, December 31, 2019	–	–

**10. STOCK OPTIONS**

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2017	–	–
Issued	405,977	3.90
Balance, December 31, 2018	405,977	3.90
Issued	1,595,385	0.71
Exercised	(255,385)	0.18
Cancelled	(1,405,977)	1.85
Balance, December 31, 2019	340,000	0.12

During the year ended December 31, 2019, the Company recognized \$970,832 (2018 - \$294,931) in share-based compensation. The weighted average grant date fair value of stock options granted during the year ended December 31, 2019 was \$0.65 (2018 - \$1.82) per option.

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.71%	2.16%
Expected volatility	224%	150%
Expected option life (in years)	1.4	2

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 \$
0.12	340,000	1.8	0.12

## **Softlab9 Software Solutions Inc.**

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### **11. RELATED PARTY TRANSACTIONS**

- (a) During the year ended December 31, 2019, the Company incurred \$125,000 (2018 - \$100,000) in consulting and management fees to companies controlled by the Chief Executive Officer of the Company ("CEO"). As at December 31, 2019, the Company owed \$47,250 (2018 - \$5,250) to a company controlled by the CEO and \$4,260 (2018 - \$799) to the CEO which are included in accounts payable and accrued liabilities. As at December 31, 2019, the Company also owed \$5,710 (2018 - \$nil) to the CEO which is included in due to relate parties. The amounts owed are non-interest bearing, unsecured, and due on demand.
- (b) During the year ended December 31, 2019, the Company incurred \$15,000 (2018 - \$48,000) in consulting and management fees, \$15,000 (2018 - \$57,178) in research and development fees and \$nil (2018 - \$14,875) in advertising and marketing fees to a company controlled by the former President of the Company. As at December 31, 2019, the Company owed \$6,970 (2018 - \$ nil) to the company controlled by the former President which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand. During year ended December 31, 2018, the amount of \$50,032 owed to this company was forgiven.
- (c) As at December 31, 2019, the Company owed \$26,916 (2018 - \$17,207) to the former President of the Company, of which \$nil (2018 - \$17,207) is included in accounts payable and accrued liabilities. The amounts owed are non-interest bearing, unsecured, and due on demand. During the year ended December 31, 2018, the amount of \$79,349 owed to the former President of the Company was forgiven pursuant to a debt settlement agreement.
- (d) During the year ended December 31, 2019, the Company incurred \$nil (2018 - \$45,000) in research and development fees and \$nil (2108 - \$45,000) in general and administrative costs to the former Chief Technology Officer ("CTO") of the Company. During year ended December 31, 2018, the amount of \$54,150 owed to the former CTO of the Company was forgiven pursuant to a debt settlement agreement.
- (e) During the year ended December 31, 2019, the Company incurred \$30,000 (2018 - \$nil) in consulting fees to a director of the Company.
- (f) During the year ended December 31, 2019, the Company incurred \$nil (\$2018 - \$25,000) in research and development fees and \$nil (2018 - \$5,000) in advertising and promotion fees to the former Chief Information Officer ("CIO") of the Company. During the year ended December 31, 2018, the amount of \$91,650 owed to the former CIO of the Company was forgiven.
- (g) During the year ended December 31, 2019, the Company incurred \$74,000 (2018 - \$40,000) in consulting and management fees to a company controlled by the former Chief Financial Officer ("CFO") of the Company. As at December 31, 2019, the Company owed \$23,738 (2018 - \$nil) to a company controlled by the former CFO which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand.
- (h) During the year ended December 31, 2019, the Company incurred \$196,407 (2017 - \$98,991) of share-based compensation to officers and directors of the Company.

### **12. SEGMENTED REPORTING**

The Company has one main operating segment specializing in launching, acquiring, and vertically integrating technology companies and all assets of the Company are located in Canada.

## **Softlab9 Software Solutions Inc.**

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### **13. MANAGEMENT OF CAPITAL**

The Company's objectives in managing capital are to ensure sufficient liquidity to finance its corporate administration and working capital. The Company manages its liquidity to minimize shareholder dilution whenever possible. The Company manages its capital through regular board meetings and ongoing review of consolidated financial information. The Company considers its capital as all components of shareholders' equity.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to carry out its strategic business objectives to acquire and/or partner with leading personal-driven social media firms and complete an exchange listing application. In order to maximize ongoing development efforts, the Company does not pay out dividends. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing.

### **14. 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 value of financial instruments, which include amounts receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### **(b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2019 and 2018, the Company's exposure to credit risk is the carrying value of cash and amounts receivable. The Company reduces its credit risk by holding its cash at a major Canadian financial institution. Amounts receivable mainly consists of GST and QST receivable due from the Government of Canada and Revenue Quebec. The carrying amount of financial assets represents the maximum credit exposure.

#### **(c) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company may have to raise additional funds through equity or debt financing.

As at December 31, 2019, the Company had cash of \$7,148 and accounts payable and accrued liabilities of \$705,463. All accounts payable and accrued liabilities are due within 90 days.

#### **(d) Foreign Exchange Rate Risk**

The Company is not exposed to any significant foreign exchange rate risk.

#### **(e) Interest Rate Risk**

The Company is not exposed to any significant interest rate risk.

**Softlab9 Software Solutions Inc.**

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**15. INCOME TAXES**

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019 \$	2018 \$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(580,980)	(1,363,746)
Tax effect of:		
Permanent differences and other	262,124	381,469
Losses assumed on reverse acquisition	–	(267,923)
Change in enacted tax rates	–	23,123
True up of prior year difference	61,516	–
Change in unrecognized deferred income tax asset	257,340	1,227,077
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	1,348,883	921,209
Intangible assets	140,096	140,096
Property and equipment	–	93,378
Share issuance costs	45,765	122,721
Unrecognized deferred income tax asset	(1,534,744)	(1,277,404)
Income tax provision	–	–

As at December 31, 2019, the Company has non-capital losses carried forward of \$4,995,862, which is available to offset future years' taxable income. These losses expire as follows:

	\$
2033	497,347
2034	9,139
2035	72,876
2036	181,890
2037	503,095
2038	2,147,540
2039	1,583,975
	4,995,862

**16. SUBSEQUENT EVENTS**

- (a) On April 17, 2020, 40,000 stock options were exercised for proceeds of \$4,800.
- (b) Subsequent to December 31, 2019, the Company received proceeds of \$485,776 for 1,387,930 units to be issued at \$0.35 per unit. Each unit will consist of one common share and one half of one transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.60 per share expiring two years from the date of issuance. As part of this private placement, the Company will also issue 693,886 units to settle debt of \$242,860.