

SOFTLAB9 SOFTWARE SOLUTIONS INC.

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian dollars)

SoftLab9 Software Solutions Inc.

Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

| | March 31, 2020 \$ | December 31, 2019 \$ |
|------------------------------------------------------------------------------|-------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | – | 7,148 |
| Amounts receivable | 144,836 | 140,598 |
| Prepaid expenses and deposits | 15,000 | 25,000 |
| TOTAL CURRENT ASSETS | 159,836 | 172,746 |
| TOTAL ASSETS | 159,836 | 172,746 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank indebtedness | 80 | – |
| Accounts payable and accrued liabilities (Note 11) | 787,570 | 705,463 |
| Loans payable (Note 6) | 125,000 | 125,000 |
| Due to related parties (Note 11) | 33,241 | 32,626 |
| TOTAL LIABILITIES | 945,891 | 863,089 |
| SHAREHOLDERS' DEFICIT | | |
| Share capital | 5,640,025 | 5,640,025 |
| Share subscriptions receivable (Note 7) | (15,653) | (15,653) |
| Share-based payment reserve | 1,232,253 | 1,232,253 |
| Deficit | (7,570,441) | (7,474,729) |
| TOTAL SOFTLAB9 SOFTWARE SOLUTIONS INC. SHAREHOLDERS' EQUITY (DEFICIT) | (713,816) | (618,104) |
| Non-controlling interest | (72,239) | (72,239) |
| TOTAL SHAREHOLDERS' DEFICIT | (786,055) | (690,343) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT | 159,836 | 172,746 |

Nature of operations (Note 1)

Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on June 26, 2020:

/s/ "Rahim Mohamed"

Rahim Mohamed, Director

/s/ "Derrick Lewis"

Derrick Lewis, Director

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

SoftLab9 Software Solutions Inc.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

| | Three Months March 31, 2020 \$ | Three Months March 31, 2019 \$ |
|-------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| REVENUE | – | – |
| EXPENSES | | |
| Advertising and marketing fees (Note 11) | – | 53,622 |
| Amortization (Note 5) | – | 11,674 |
| Consulting and management fees (Note 11) | 81,680 | 124,093 |
| General and administrative (Note 11) | 1,247 | 126,905 |
| Professional fees | 6,038 | 11,330 |
| Research and development costs (Note 11) | – | 64,555 |
| Share-based compensation (Note 10) | – | 526,826 |
| Transfer agent and filing fees | 6,748 | 5,232 |
| Travel | – | 3,645 |
| TOTAL EXPENSES | 95,713 | 927,882 |
| NET LOSS AND COMPREHENSIVE LOSS | (95,713) | (927,882) |
| Less: net loss attributable to the non-controlling interest | – | 212 |
| NET LOSS ATTRIBUTABLE TO SOFTLAB9 SOFTWARE SOLUTIONS INC. | (95,713) | (927,670) |
| Loss per share attributed to Softlab9 Software Solutions Inc., basic and diluted | (0.01) | (0.01) |
| Weighted average number of common shares outstanding | 8,251,565 | 73,621,064 |

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

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

| | Number of common shares | Share capital \$ | 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 | 19,231 | 17,500 | – | – | – | 17,500 |
| Shares issued pursuant to stock options exercised | 15,385 | 12,000 | (7,782) | – | – | 12,000 |
| Net loss for the year | – | – | – | (927,670) | (212) | (927,882) |
| Balance, March 31, 2019 | 5,691,163 | 5,113,226 | 287,149 | (6,250,621) | (72,451) | (914,915) |

| | Number of common shares | Share capital \$ | Share- based payment reserve \$ | Deficit \$ | Non- controlling interest \$ | Total \$ |
|----------------------------|-------------------------------|------------------------|---------------------------------------------|---------------|---------------------------------------|-------------|
| Balance, December 31, 2019 | 8,251,565 | 5,624,372 | 1,232,253 | (7,474,729) | (72,239) | (690,343) |
| Net loss for the year | – | – | – | (95,713) | – | (95,713) |
| Balance, March 31, 2020 | 8,251,565 | 5,624,372 | 1,232,253 | (7,570,442) | (72,239) | (786,056) |

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

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

| | Three Months Ended March 31, 2020 \$ | Three Months Ended March 31, 2019 \$ |
|---------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| OPERATING ACTIVITIES | | |
| Net loss for the year | (95,713) | (927,882) |
| Items not involving cash: | | |
| Amortization | – | 11,674 |
| Shares issued for services | – | 27,500 |
| Share-based compensation | – | 526,826 |
| Change in non-cash working capital items: | | |
| Amounts receivable | (4,238) | 47,038 |
| Prepaid expenses | 10,000 | 28,839 |
| Accounts payable and accrued liabilities | 82,108 | 136,135 |
| Due to related parties | 615 | – |
| Net cash used in operating activities | (7,228) | (149,870) |
| FINANCING ACTIVITIES | | |
| Proceeds from loans payable | – | 125,000 |
| Proceeds from exercise of stock options | – | 12,000 |
| Net cash provided by financing activities | – | 137,000 |
| Change in cash | (7,228) | (12,870) |
| Cash, beginning of year | 7,148 | 59,074 |
| Cash, end of year | (80) | 46,204 |
| Non-cash investing and financing activities: | | |
| Fair value of warrants exercised transferred to share capital | – | 6,612 |

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

Softlab9 Software Solutions Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2020

(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 condensed 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 March 31, 2020, the Company has a working capital deficit of \$786,055, and an accumulated deficit of \$7,570,441. 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 condensed 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 condensed 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 condensed 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 Condensed Consolidated Financial Statements

March 31, 2020

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Presentation (continued)

These condensed 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 condensed 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 condensed consolidated financial statements. The Company left its office premises in early 2019.

(d) Significant Accounting Judgments and Estimates

The preparation of condensed consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that effect the amounts reported in the condensed 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.

Softlab9 Software Solutions Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2020

(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 Condensed Consolidated Financial Statements

March 31, 2020

(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 condensed consolidated statement of operations.

Fair value estimates are made at the condensed 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 Condensed Consolidated Financial Statements

March 31, 2020

(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 condensed 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 condensed 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 Condensed Consolidated Financial Statements

March 31, 2020

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 condensed consolidated statement of operations.

(j) Research and Development

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

(k) 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 March 31, 2020, the Company had nil (2019 – 340,000) of potentially dilutive shares relating to stock options and share purchase warrants.

(l) 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 condensed consolidated statement of operations.

(m) 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 condensed consolidated financial statements.

Softlab9 Software Solutions Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2020

(Expressed in Canadian dollars)

3. PROPERTY AND EQUIPMENT

| | Computer Equipment \$ | Furniture and Equipment\$ | Leasehold Improvements \$ | Total \$ |
|----------------------------|-----------------------------|---------------------------------|---------------------------------|-------------|
| Cost: | | | | |
| 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, 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 three months ended March 31, 2020, there were no capital asset additions.

As at 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.

4. LOANS PAYABLE

- As at March 31, 2020, the amount of \$50,000 (2019 - \$50,000) is owed to a non-related company which is non-interest bearing, unsecured, and due on demand.
- As at March 31, 2020, the amount of \$50,000 (2019 - \$50,000) is owed to a non-related party which is non-interest bearing, unsecured, and due on demand.
- As at March 31, 2020, the amount of \$25,000 (2019 - \$25,000) is owed to the father of a director of the Company which is non-interest bearing, unsecured, and due on demand.

Softlab9 Software Solutions Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2020

(Expressed in Canadian dollars)

5. SHARE CAPITAL

During the three months ended March 31, 2020, there were \$nil share transactions.

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.

Softlab9 Software Solutions Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2020

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share transactions during the year ended December 31, 2018: (continued)

(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.

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.

7. SHARE PURCHASE WARRANTS

During the three months ended March 31, 2020, there were no share purchase warrants that were issued, exercised, or expired.

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 | – | – |

Softlab9 Software Solutions Inc.

Notes to the Condensed Consolidated Financial Statements

March 31, 2020

(Expressed in Canadian dollars)

8. STOCK OPTIONS

During the three months ended March 31, 2020, there were no stock options that were issued, exercised, or expired.

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 |

9. RELATED PARTY TRANSACTIONS

(a) During the three months ended March 31, 2020, the Company incurred \$45,000 in consulting and management fees to companies controlled by the Chief Executive Officer of the Company (“CEO”). As at March 31, 2020, the Company owed \$104,470 to the CEO which are included in accounts payable, accrued liabilities, and due to related parties. The amounts are non-interest bearing, unsecured, and due on demand.

10. 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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11. 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 condensed 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.

12. 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 March 31, 2020, 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 March 31, 2020, the Company had bank indebtedness of \$80 and accounts payable and accrued liabilities of \$787,570. 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.

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13. SUBSEQUENT EVENTS

- (a) On April 17, 2020, 40,000 stock options were exercised for proceeds of \$4,800.
- (b) On June 17, 2020, the Company has completed a partial closing with gross proceeds of \$1,105,725 of its non-brokered private placement offering. 3,159,215 units were issued at a price of \$0.35 per unit. 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.