

**SOFTLAB9 TECHNOLOGIES INC.**

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars)

**SoftLab9 Software Solutions Inc.**

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	September 30, 2020	December 31, 2019
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	14	663,400	7,148
Amounts receivable	3	76,572	140,598
Prepaid expenses		20,000	25,000
Share subscription receivable		38,740	-
Short term advances & loan	4	840,000	-
Total current assets		1,638,712	172,746
<b>Total assets</b>		<b>1,638,712</b>	<b>172,746</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6, 11	570,319	738,089
Loan payable	7	99,730	125,000
Total current liabilities		670,049	863,089
<b>Total liabilities</b>		<b>670,049</b>	<b>863,089</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	8	8,711,357	5,633,194
Share issue cost	8	(83,780)	-
Share subscription payable	8	64,642	(15,653)
Options reserve	8	1,294,515	1,232,253
Warrant reserve	8	6,831	6,831
Deficit		(8,952,663)	(7,474,729)
Non-controlling interest		(72,239)	(72,239)
<b>Total shareholders' equity</b>		<b>968,663</b>	<b>(690,343)</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,638,712</b>	<b>172,746</b>

Nature of operations (Note 1)

Subsequent events (Note 15)

Approved and authorized for issuance on behalf of the Board of Directors on November 25, 2020:

/s/ "Rahim Mohamed"

Rahim Mohamed, CEO

/s/ "Derrick Lewis"

Derrick Lewis, Director

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

**SoftLab9 Software Solutions Inc.**  
Condensed Interim Consolidated Statements of Operations  
(Expressed in Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
<b>Expenses</b>					
Advertising and marketing fees		-	-	-	60,380
Amortization		-	11,674	-	35,022
Consulting and management fees	11	721,183	114,550	1,245,888	419,669
General and administrative		11,396	10,736	22,996	143,013
Professional fees	11	102,679	4,148	159,844	37,380
Research and development		-	-	-	62,507
Share based compensation	10	81,773	-	81,773	580,515
Supplies		52,318	-	52,318	-
Transfer agent and filing fees		10,795	8,662	65,265	33,400
Travel		-	-	-	3,645
<b>Total expenses</b>		<b>980,144</b>	<b>149,770</b>	<b>1,628,084</b>	<b>1,375,531</b>
<b>Loss before other items</b>		<b>980,144</b>	<b>149,770</b>	<b>1,628,084</b>	<b>1,375,531</b>
Forgiveness of debt		(150,150)	-	(150,150)	-
Net loss and comprehensive loss for the period		(829,994)	(149,770)	(1,477,934)	(1,375,531)
Net loss attributable to non-controlling interest		-	(193)	-	19
<b>Net loss attributable to Softlab9 Software Solutions Inc.</b>		<b>(829,994)</b>	<b>(149,963)</b>	<b>(1,477,934)</b>	<b>(1,375,512)</b>
<b>Loss per share attributed to Softlab9 Software Solutions Inc., basic and diluted</b>		<b>(0.05)</b>	<b>(0.03)</b>	<b>(0.14)</b>	<b>(0.27)</b>
<b>Weighted average number of common shares outstanding</b>		<b>15,717,240</b>	<b>5,021,563</b>	<b>10,938,050</b>	<b>5,190,089</b>

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

**SoftLab9 Software Solutions Inc.**

## Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share capital							Total Shareholders' Equity (Deficiency)
	Common Shares	Amount	Share subscriptions payable/(receivable)	Reserves	Deficit	Non-controlling interest		
	#	\$	\$	\$	\$	\$		
Balance, December 31, 2018	5,656,547	5,076,895	-	301,762	(5,322,951)	(72,239)	(16,533)	
Shares issued to settle debt	19,231	17,500	-	-	-	-	17,500	
Shares issued for exercise of stock options	15,385	19,782	-	-	-	-	19,782	
Share cancellation	(1,550,342)	-	-	-	-	-	-	
Net loss for the period	-	-	-	-	(1,225,742)	-	(1,225,742)	
<b>Balance, June 30, 2019</b>	<b>4,140,821</b>	<b>5,114,177</b>	<b>-</b>	<b>301,762</b>	<b>(6,548,693)</b>	<b>(72,239)</b>	<b>(1,204,993)</b>	
Shares issued to settle debt	3,870,744	464,489	-	-	-	-	464,489	
Shares issued for exercise of stock options	240,000	54,528	(15,653)	(33,510)	-	-	5,364	
Fair market value of stock options granted	-	-	-	970,832	-	-	970,832	
Net loss for the period	-	-	-	-	(926,036)	-	(926,036)	
Balance, December 31, 2019	<b>8,251,565</b>	<b>5,633,194</b>	<b>(15,653)</b>	<b>1,239,084</b>	<b>(7,474,729)</b>	<b>(72,239)</b>	<b>(690,344)</b>	
Shares issued for private placement	8,617,917	3,016,271	80,295	-	-	-	3,096,566	
Share issue costs	-	(83,780)	-	-	-	-	(83,780)	
Shares issued for services	39,820	20,542	-	-	-	-	20,542	
Shares issued for exercise of stock options	182,000	41,350	-	(19,510)	-	-	21,840	
Shares option granted	-	-	-	81,773	-	-	81,773	
Loss for the period	-	-	-	-	(1,477,934)	-	(1,477,934)	
<b>Balance, September 30, 2020</b>	<b>17,091,302</b>	<b>8,627,577</b>	<b>64,642</b>	<b>1,301,346</b>	<b>(8,952,663)</b>	<b>(72,239)</b>	<b>968,663</b>	

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

**SoftLab9 Software Solutions Inc.**

## Condensed Interim Consolidated Statements of Cashflow

(Expressed in Canadian dollars)

	Nine Months Ended September 30, 2020 \$	Nine Months Ended September 30, 2019 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(1,477,934)	(1,375,531)
Items not involving cash:		
Amortization	–	35,022
Shares issued for services	20,542	–
Shares issued for debt	–	257,617
Share-based compensation	62,262	580,515
Change in non-cash working capital items:		
Amounts receivable	(775,974)	45,957
Prepaid expenses	5,000	109,335
Accounts payable and accrued liabilities	(167,770)	,123,542
<b>Net cash used in operating activities</b>	<b>(2,333,875)</b>	<b>(196,043)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment loans payable	(25,270)	125,000
Proceeds from exercise of stock options	21,840	12,000
Proceeds from issuance of shares	3,077,337,	–
Share issue cost	(83,780)	–
<b>Net cash provided by financing activities</b>	<b>2,990,127</b>	<b>137,000</b>
Change in cash	656,252	(59,043)
Cash, beginning of year	7,148	59,074
Cash, end of period	663,400	31

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

## **Softlab9 Software Solutions Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian dollars)

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

Softlab9 Technologies Inc. (formerly Softlab9 Software Solutions 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.

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 interim consolidated financial statements have been prepared on the assumption the Company will continue as a going concern. During the period ended, the Company has not generated any revenues and incurred negative cash flows from operations. As at September 30, 2020, the Company has a working capital of \$968,663, and an accumulated deficit of \$8,952,663. The Company intends to finance its current and future obligations and requirements through a combination of debt and/or equity issuances. 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 Interim Consolidated Financial Statements

September 30, 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 Interim Consolidated Financial Statements

September 30, 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 are 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 Interim Consolidated Financial Statements

September 30, 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 Interim Consolidated Financial Statements

September 30, 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 Interim Consolidated Financial Statements

September 30, 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 September 30, 2020, the Company had 308,000 and 4,270,249 of potentially dilutive shares relating to stock options and stock 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 Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian dollars)

**3. AMOUNTS RECEIVABLE**

The balance of \$76,572 pertains to GST receivable.

**4. SHORT-TERM ADVANCES AND LOAN**

As at September 30, 2020, the Company has advanced \$840,000 to Clean Go Green Go.

**5. PROPERTY AND EQUIPMENT**

During the nine months ended September 30, 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.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable includes amounts owing for consulting and general corporate expenditures. Accrued liabilities includes an accrual of settlement amounts to former consultants.

**7. LOANS PAYABLE**

- a. As at September 30, 2020, the amount of \$24,730 (2019 - \$50,000) is owed to a non-related company which is non-interest bearing, unsecured, and due on demand.
- b. As at September 30, 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.
- c. As at September 30, 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.

**8. SHARE CAPITAL**

Share transactions during the nine months ended September 30, 2020:

- (a) On April 17, 2020, the Company issued 40,000 common shares pursuant to an exercise of 40,000 stock options with an exercise price of \$ 0.12 for total proceeds of \$4,800. The fair value of \$4,288 for the stock options exercised was transferred to share capital from share-based payment reserve.
- (b) On June 17, 2020, the Company completed the partial closing of \$0.35 per unit round of private placement with gross proceeds of \$1,105,725.25. The securities sold pursuant to this agreement consists of 3,159,215 units. Each unit consists of one common share and one-half of a transferrable common share purchase warrant. Each half warrant entitles the holder to purchase, from the date of issue, one additional common share at an exercise price of \$ 0.60 per whole warrant.
- (c) On July 20, 2020, the Company completed the final closing of \$0.35 per unit round of private placement with gross proceeds of \$1,898,545. The securities sold pursuant to this agreement consists of 5,424,415 units. Each unit consists of one common share and one-half of a transferrable common share purchase warrant. Each half warrant entitles the holder to purchase, from the date of issue, one additional common share at an exercise price of \$ 0.60 per whole warrant.
- (d) During the three months ended September 30, 2020, a total of 142,000 stock options were exercised for gross proceeds of \$17,040. The fair market value of \$15,222 were transferred from reserves to share capital for the exercise cost of the stock options.

**Softlab9 Software Solutions Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian dollars)

**8. SHARE CAPITAL (Continued)**

- (e) During the three months ended September 30, 2020, a total 39,820 shares were issued with a total value of \$20,542 for consulting and professional fees rendered.

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.

**9. SHARE PURCHASE WARRANTS**

During the nine months ended September 30, 2020, the Company issued 4,277,392 warrants pursuant to the completion of the closing of the \$ 0.35 per unit round of private placement. The warrants will expire in two years and has weighted average remaining life of 1.77 years. The following table summarizes the continuity of warrants.

	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2019	-	-
Issued	4,277,392	0.60
Exercised	(7,143.00)	0.60
Cancelled	-	-
Balance, September 30, 2020	4,270,249	0.60

**Softlab9 Software Solutions Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian dollars)

**10. STOCK OPTIONS**

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price
		\$
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
Issued	150,000	1.22
Exercised	(182,000)	0.12
Cancelled	-	-
Balance, September 30, 2020	308,000	0.66

During the three months ended September 30, 2020, the Company granted 150,000 stock options and recognized \$81,773 in share-based compensation. The stock options have an immediate vesting and will expire one year from the date of grant. The fair value of stock options was \$0.55 per option.

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:

	2020	2019
Risk-free interest rate	0.38%	1.71%
Expected volatility	121%	224%
Expected option life (in years)	.89	1.4

Additional information regarding stock options outstanding as at September 30, 2020, is as follows:

Outstanding and exercisable			
Exercise price	Number of options	Remaining contractual life (years)	Expiry date
\$			
0.12	158,000	1.07	October 25, 2021
1.22	150,000	0.71	June 16, 2021

**11. RELATED PARTY TRANSACTIONS**

During the three and nine months ended September 30, 2020, the Company incurred \$45,000 and \$135,000 respectively in consulting and management fees to the company controlled by the Chief Executive Officer of the Company ("CEO"). As at September 30, 2020, the Company owes a balance of \$45,000 and is included in accounts payable.

During the three and nine months ended September 30, 2020, the Company incurred \$7,500 and \$49,038 respectively in consulting and accounting fees to the company controlled by the Chief Financial Officer of the Company ("CFO"). As at September 30, 2020, the Company owes a balance of \$2,500 and is included in accounts payable.

**Softlab9 Software Solutions Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian dollars)

**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.

**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 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.

**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 September 30, 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 receivable due from the Canada Revenue Agency. 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 September 30, 2020, the Company had cash balance of \$633,400 and accounts payable and accrued liabilities of \$570,319.

**Softlab9 Software Solutions Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian dollars)

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

(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.

**15. SUBSEQUENT EVENTS**

- (a) Subsequent to the period ended September 30, 2020, the company issued 51,545 common shares as payment for debt with total value of \$50,000.
- (b) Subsequent to the period ended September 30, 2020, the company issued 7,143 common shares pursuant to a warrant exercise for proceeds of \$4,286.