SOFTLAB9 TECHNOLOGIES INC.

(formerly SoftLab9 Software Solutions Inc.)

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

SATURNAGROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Softlab9 Technologies Inc. (formerly SoftLab9 Software Solutions Inc.)

Opinion

We have audited the consolidated financial statements of Softlab9 Technologies Inc. (formerly SoftLab9 Software Solutions Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and, as of that date, the Company has an accumulated deficit of $9,826,986. 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.

Other Information

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 auditor's report is Lonny Wong.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 28, 2021

Softlab9 Technologies Inc.
(formerly SoftLab9 Software Solutions Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2020 $	December 31, 2019 $
ASSETS		
CURRENT ASSETS		
Cash	141,134	7,148
Amounts receivable	109,702	140,598
Prepaid expenses and deposits	37,000	25,000
Loans receivable (Note 4)	948,426	–
TOTAL ASSETS	1,236,262	172,746
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	770,419	705,463
Loans payable (Note 5)	99,730	125,000
Due to related parties (Note 9)	28,031	32,626
TOTAL LIABILITIES	898,180	863,089
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 6)	8,818,762	5,640,025
Share subscriptions receivable (Note 6)	(240)	(16,800)
Shares issuable (Note 6)	80,956	1,147
Share-based payment reserve	1,337,829	1,232,253
Deficit	(9,826,986)	(7,474,729)
TOTAL SOFTLAB9 TECHNOLOGIES INC. SHAREHOLDERS' EQUITY (DEFICIT)	410,321	(618,104)
Non-controlling interest	(72,239)	(72,239)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	338,082	(690,343)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	1,236,262	172,746

Nature of operations (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on April 28, 2021:

/s/ "Rahim Mohamed"	*/s/ "Derrick Lewis"*
Rahim Mohamed, Director	Derrick Lewis, Director

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

Softlab9 Technologies Inc.
(formerly SoftLab9 Software Solutions Inc.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2020 $	Year ended December 31, 2019 $
EXPENSES		
Amortization	–	15,000
Consulting and management fees (Note 9)	396,410	647,518
General and administrative	27,653	139,142
Investor relations	1,416,384	72,014
Professional fees (Note 9)	296,288	21,793
Research and development costs (Note 9)	–	64,667
Share-based compensation (Note 8)	125,086	970,832
Transfer agent and filing fees	87,280	45,160
Travel	–	3,766
TOTAL EXPENSES	2,349,101	1,979,892
LOSS BEFORE OTHER EXPENSES	(2,349,101)	(1,979,892)
OTHER EXPENSES		
Impairment of property and equipment (Note 3)	–	(10,555)
Loss on disposal of property and equipment (Note 3)	–	(75,459)
Loss on settlement of debt (Note 6)	(3,156)	(85,872)
NET LOSS AND COMPREHENSIVE LOSS	(2,352,257)	(2,151,778)
Less: net loss attributable to the non-controlling interest	–	–
NET LOSS ATTRIBUTABLE TO SOFTLAB9 TECHNOLOGIES INC.	(2,352,257)	(2,151,778)
Loss per share attributed to Softlab9 Technologies Inc., basic and diluted	(0.19)	(0.37)
Weighted average number of common shares outstanding	12,529,019	5,872,963

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

Softlab9 Technologies Inc.
(formerly SoftLab9 Software Solutions Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(unaudited)

	Number of common shares	Share capital $	Share subscriptions receivable $	Shares issuable $	Share-based payment reserve $	Deficit $	Non-controlling interest $	Total $
Balance, December 31, 2019	8,251,565	5,640,025	(16,800)	1,147	1,232,253	(7,474,729)	(72,239)	(690,343)
Shares issued for private placement	7,137,260	2,498,041	–	–	–	–	–	2,498,041
Share issuance costs	76,025	(82,905)	–	–	–	–	–	(82,905)
Shares issued to settle debt	1,526,202	570,253	–	–	–	–	–	570,253
Shares issued for consulting fees	300,000	132,000	–	–	–	–	–	132,000
Share subscriptions received	–	–	16,800	67,250	–	–	–	84,050
Shares issued for exercise of stock options	182,000	41,350	(240)	–	(19,510)	–	–	21,600
Shares issued to pay expenses on behalf of Cleango Greengo Inc.	16,656	15,712	–	–	–	–	–	15,712
Shares issued for exercise of share purchase warrants	7,143	4,286	–	–	–	–	–	4,286
Fair value of stock options granted	–	–	–	–	125,086	–	–	125,086
Shares issuable for settlement of debt	–	–	–	12,559	–	–	–	12,559
Net loss for the year	–	–	–	–	–	(2,352,257)	–	(2,352,257)
Balance, December 31, 2020	17,496,851	8,818,762	(240)	80,956	1,337,829	(9,826,986)	(72,239)	338,082

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

Softlab9 Technologies Inc.
(formerly SoftLab9 Software Solutions Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(unaudited)

	Number of common shares	Share capital $	Share subscriptions receivable $	Shares issuable $	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 for exercise of stock options	255,385	74,310	(16,800)	–	(33,510)	–	–	24,000
Share subscriptions received	–	–	–	1,147	–	–	–	1,147
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	(16,800)	1,147	1,232,253	(7,474,729)	(72,239)	(690,343)

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

(Expressed in Canadian dollars)

	Year ended December 31, 2020 $	Year ended December 31, 2019 $
OPERATING ACTIVITIES		
Net loss for the year	(2,352,257)	(2,151,778)
Items not involving cash:		
Amortization	–	15,000
Impairment of property and equipment	–	10,555
Loss on disposal of property and equipment	–	75,459
Loss on settlement of debt	3,156	85,872
Shares issued for services	132,000	17,500
Share-based compensation	125,086	970,832
Change in non-cash working capital items:		
Amounts receivable	30,896	17,552
Prepaid expenses and deposits	(12,000)	91,685
Accounts payable and accrued liabilities	619,342	612,459
Due to related parties	(4,595)	32,626
Net cash used in operating activities	(1,458,372)	(222,238)
INVESTING ACTIVITIES		
Loans receivable advances	(932,714)	–
Repayment of loan receivable	–	20,165
Net cash provided by (used in) investing activities	(932,714)	20,165
FINANCING ACTIVITIES		
Proceeds from loans payable	–	125,000
Proceeds from issuance of common shares / share subscriptions received	2,607,977	25,147
Share issuance costs	(82,905)	–
Net cash provided by financing activities	2,525,072	150,147
Change in cash	133,986	(51,926)
Cash, beginning of year	7,148	59,074
Cash, end of year	141,134	7,148
Non-cash investing and financing activities:		
Fair value of stock options exercised transferred to share capital	19,510	33,510
Shares issued to settle accounts payable and accrued liabilities	554,386	464,489
Shares issued to settle loans payable	25,270	–
Shares issued to pay expenses on behalf of Cleango Greengo Inc. included in loans receivable	15,712	–

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 1100, 1111 Melville Street, Vancouver, BC, V6E 3V6.

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 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") which 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 the Company.

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 has not been significant, 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 December 31, 2020, the Company has not generated any revenues and incurred negative cash flows from operations. As at December 31, 2020, the Company has an accumulated deficit of $9,826,986. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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) 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:

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.

Loans Receivable

The Company assesses for indicators of impairment at the end of each reporting period.

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.

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and Equipment

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

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 consolidated statement of operations.

(f) 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
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Due to related parties	Amortized cost

Financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities (continued)

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.

(g) 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.

(h) 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 statements of operations.

(i) 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, 2020, the Company had 4,606,823 (2019 – 340,000) potentially dilutive shares outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated financial statements. 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. PROPERTY AND EQUIPMENT

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 as part of the release agreements signed with former officers of the Company.

4. LOANS RECEIVABLE

(a) As at December 31, 2020, the Company has advanced $50,000 to Kosan Medical Company Ltd. The loan is non-interest bearing, secured by a general security agreement, and due within 180 days on demand.

(b) As at December 31, 2020, the Company has advanced $898,426 to Cleango Greengo Inc. ("Cleango"). The loan will be forgiven upon closing the arrangement agreement with Cleango. Refer to Note 13. The loan is non-interest bearing, secured by a general security agreement over the assets of Cleango, and due on demand if the transaction does not complete for any reason other than a breach by the Company of an enforceable provision of the arrangement agreement.

5. LOANS PAYABLE

(a) As at December 31, 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 December 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.

(c) As at December 31, 2020, the amount of $25,000 (2019 - $25,000) is owed to the father of a former director of the Company which is non-interest bearing, unsecured, and due on demand.

6. SHARE CAPITAL

Share transactions during the year ended December 31, 2020:

(a) On June 18, 2020, the Company issued 1,891,045 units at $0.35 per unit for gross proceeds of $661,866. Each unit consisted of one common share and one-half of a transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.60 per share expiring on June 18, 2022. In connection with this private placement, the Company paid finders' fees of $26,796 and issued 32,050 common shares with a fair value of $37,819.

6. SHARE CAPITAL (continued)

Share transactions during the year ended December 31, 2020 (continued):

(b) On June 18, 2020, the Company issued 1,302,456 units with a fair value of $455,860 to settle outstanding accounts payable of $455,860. Each unit consisted of one common share and one-half of a transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.60 per share expiring on June 18, 2022. Included in this issuance were 50,000 common shares to settle debt of $17,500 owed to the CFO of the Company, 503,885 common shares to settle debt of $176,360 owed to the CEO of the Company, and 348,571 common shares to settle debt of $122,000 owed to the directors and companies controlled by the directors of the Company.

(c) On July 21, 2020, the Company issued 5,246,215 units at $0.35 per unit for gross proceeds of $1,836,175. Each unit consisted of one common share and one-half of a transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.60 per share expiring on July 21, 2022. In connection with this private placement, the Company incurred finders' fees of $56,109 and issued 6,000 common shares with a fair value of $2,100 to a finder.

(d) On July 21, 2020, the Company issued 172,200 units with a fair value of $60,270 to settle accounts payable of $35,000 and loans payable of $25,270. Each unit consisted of one common share and one-half of a transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.60 per share expiring on July 21, 2022.

(e) On September 17, 2020, the Company issued 7,770 common shares with a fair value of $7,537 to settle accounts payable on behalf of Cleango. Refer to Note 4.

(f) On October 5, 2020, the Company issued 51,546 common shares with a fair value of $54,123 to settle accrued liabilities of $50,000, resulting to a loss on settlement of $4,123.

(g) On October 7, 2020, the Company issued 7,143 common shares for proceeds of $4,286 pursuant to the exercise of share purchase warrants.

(h) On October 9, 2020, the Company issued 8,886 common shares with a fair value of $8,715 to settle accounts payable on behalf of Cleango. Refer to Note 4.

(i) On October 16, 2020, the Company issued 25,175 common shares with fair value of $17,874 as a finder's fee in relation to the June 18, 2020 private placement.

(j) On October 28, 2020, the Company issued 300,000 common shares with fair value of $132,000 to a consultant pursuant to a consulting agreement.

(k) On October 29, 2020, the Company issued 12,800 common shares with fair value of $5,632 as a finder's fees in relation to the June 18, 2020 private placement.

(l) During the year ended December 31, 2020, the Company issued 182,000 stock options for proceeds of $21,840 pursuant to the exercise of stock options. The fair value of $19,510 for the stock options exercised was transferred to share capital from share-based payment reserve.

(m) As at December 31, 2020, the Company has shares issuable of $80,956 which includes shares to be issued to a company controlled by the former CFO of the Company to settle outstanding accounts payable of $12,559 and share subscriptions received of $68,397.

Share transactions during the year ended December 31, 2019:

(n) 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 were retroactively restated.

(o) On March 14, 2019, the Company issued 19,231 common shares with a fair value of $17,500 for consulting services rendered.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share transactions during the year ended December 31, 2019 (continued):

(p) On May 16, 2019, 1,550,342 common shares were returned to the Company from former officers of the Company and cancelled.

(q) 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 were retroactively restated.

(r) 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.

(s) 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.

(t) 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 $16,800 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.

7. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2018	10,256	4.88
Expired	(10,256)	4.88
Balance, December 31, 2019	–	–
Issued	4,305,966	0.60
Exercised	(7,143)	0.60
Balance, December 31, 2020	4,298,823	0.60

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

Number of warrants outstanding	Exercise price $	Expiry date
1,589,610	0.60	June 18, 2022
2,709,213	0.60	July 21, 2022
4,298,823		

(Expressed in Canadian dollars)

8. STOCK OPTIONS

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price $
Balance, December 30, 2019	405,977	3.90
Issued	1,595,385	0.71
Exercised	(255,385)	0.18
Cancelled	(1,405,977)	1.85
Balance, December 30, 2019	340,000	0.12
Granted	150,000	1.20
Exercised	(182,000)	0.12
Balance, December 31, 2020	308,000	0.65

During the year ended December 31, 2020, the Company recognized $125,086 (2019 - $970,832) in share-based compensation. The weighted average grant date fair value of stock options granted during the year ended December 31, 2020 was $0.83 (2019 - $0.65) 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	0.27%	1.71%
Expected volatility	199%	224%
Expected option life (in years)	1	1.4

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

	Outstanding and exercisable		
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.12	158,000	0.8	0.12
1.20	150,000	0.4	1.20
	308,000	0.6	0.65

9. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2020, the Company incurred $180,000 (2019 - $125,000) in consulting and management fees to a company controlled by the Chief Executive Officer of the Company (“CEO”). As at December 31, 2020, the Company owed $94,934 (2019 - $47,250) to companies controlled by the CEO which are included in accounts payable, accrued liabilities and due to related parties. As at December 31, 2020, the Company also owed $500 (2019 - $5,710) to the CEO. The amounts owed are non-interest bearing, unsecured, and due on demand.

9. RELATED PARTY TRANSACTIONS (continued)

(b) During the year ended December 31, 2020, the Company incurred $17,500 (2019 - $nil) in consulting and management fees and $31,538 (2019 -$nil) in professional fees to a company controlled by the Chief Financial Officer ("CFO") of the Company. As at December 31, 2020, the Company owed $3,675 (December 31, 2019 - $nil) to a company controlled by the CFO which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand.

(c) During the year ended December 31, 2020, the Company incurred $nil (2019 - $15,000) in consulting and management fees and $nil (2019 - $15,000) in research and development fees to a company controlled by the former President of the Company. As at December 31, 2020, the Company owed $nil (2019 - $6,970) 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.

(d) As at December 31, 2020, the Company owed $27,531 (2019 - $26,916) to the former President of the Company. The amount owed is non-interest bearing, unsecured, and due on demand.

(e) During the year ended December 31, 2020, the Company incurred $nil (2019 - $74,000) in consulting and management fees to a company controlled by the former CFO of the Company. As at December 31, 2020, the Company owed $nil (2019 - $23,738) 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.

(f) During the year ended December 31, 2020, the Company incurred $nil (2019 - $196,407) of share-based compensation to officers and directors of the Company.

10. 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 sources of capital have consisted of the sale of equity securities. In order for the Company to carry out planned acquisition, the Company will spend its working capital and expects to raise additional amounts externally as needed.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash, loans 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.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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, 2020 and 2019, the Company's exposure to credit risk is the carrying value of cash and loans receivable. The Company reduces its credit risk by holding its cash at a major Canadian financial institution. Loans receivable consist of advances made for potential business acquisitions and are secured by general security agreements. 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, 2020, the Company had cash of $141,134 and accounts payable and accrued liabilities of $770,419. 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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

12. 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:

	2020 $	2019 $
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(635,109)	(580,980)
Tax effect of:		
Permanent differences and other	(4,533)	262,124
True up of prior year difference	–	61,516
Change in unrecognized deferred income tax asset	639,642	257,340
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2020 $	2019 $
Deferred income tax assets		
Non-capital losses carried forward	1,972,173	1,348,883
Intangible assets	140,096	140,096
Share issuance costs	62,117	45,765
Unrecognized deferred income tax asset	(2,174,386)	(1,534,744)
Income tax provision	–	–

(Expressed in Canadian dollars)

12. INCOME TAXES (continued)

As at December 31, 2020, the Company has non-capital losses carried forward of $7,304,345, 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
2040	2,308,483
	7,304,345

13. PROPOSED TRANSACTION

On November 20, 2020, entered into a definitive agreement with Cleango for the acquisition of all of the issued and outstanding shares of Cleango (the "Transaction"). The Company is to issue 18,600,000 common shares of the Company to the shareholders of Cleango. An additional 5,400,000 common shares may be issued to certain shareholders of Cleango subject to the satisfaction of certain conditions. The Transaction is a "fundamental change" under Policy 8 of the Canadian Securities Exchange ("CSE") and will be subject to receipt of all required regulatory, corporate, and third-party approvals, and the fulfillment of all applicable regulatory requirements and conditions necessary to complete the Transaction, including approval by the CSE and the shareholders of the Company and Cleango.