SOFTLAB9 TECHNOLOGIES INC.

Condensed Consolidated Financial Statements

Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(unaudited)

Softlab9 Technologies Inc.
Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	June 30, 2021 $	December 31, 2020 $
ASSETS		
CURRENT ASSETS		
Cash	43,739	141,134
Amounts receivable	126,017	109,702
Prepaid expenses and deposits	5,000	37,000
Loans receivable (Note 3)	978,526	948,426
TOTAL ASSETS	1,153,282	1,236,262
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	1,038,420	770,419
Loans payable (Note 4)	99,730	99,730
Due to related parties (Note 8)	28,031	28,031
TOTAL LIABILITIES	1,166,181	898,180
SHAREHOLDERS' EQUITY		
Share capital	8,818,762	8,818,762
Share subscriptions receivable	(240)	(240)
Shares issuable (Note 5)	96,006	80,956
Share-based payment reserve	1,337,829	1,337,829
Deficit	(10,193,017)	(9,826,986)
TOTAL SOFTLAB9 TECHNOLOGIES INC. SHAREHOLDERS’ EQUITY	59,340	410,321
Non-controlling interest	(72,239)	(72,239)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(12,899)	338,082
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,153,282	1,236,262

Nature of operations (Note 1)
Subsequent event (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on August 26, 2021:

/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 Technologies Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)
(unaudited)

	Three months ended June 30, 2021 $	Three months ended June 30, 2020 $	Six months ended June 30, 2020 $	Six months ended June 30, 2020 $
EXPENSES				
Consulting and management fees (Note 8)	95,000	443,025	197,000	524,705
General and administrative	121	10,353	208	11,600
Investor relations	18,732	-	18,732	-
Professional fees (Note 8)	43,631	51,127	132,098	57,165
Transfer agent and filing fees	1,637	47,722	17,993	54,470
TOTAL EXPENSES	159,121	552,227	366,031	647,940
NET LOSS ATTRIBUTABLE TO SOFTLAB9 TECHNOLOGIES INC.	(159,121)	(552,227)	(366,031)	(647,940)
Loss per share attributed to Softlab9 Technologies Inc., basic and diluted	(0.01)	(0.06)	(0.01)	(0.08)
Weighted average number of common shares outstanding	17,496,851	8,764,924	26,128,435	8,509,647

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

Softlab9 Technologies Inc.
Condensed 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 shareholders' equity $
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 from private placement	3,159,215	1,105,725	(734,070)	–	–	–	–	1,839,795
Shares issued from exercise of stock options	40,000	9,088	–	(4,288)	–	–	–	4,800
Net loss for the period	–	–	–	–	–	(647,940)	–	(647,940)
Balance, June 30, 2020	8,251,565	5,640,025	(16,800)	1,147	1,232,253	(7,570,442)	(72,239)	506,312
Balance, December 31, 2020	17,496,851	8,818,762	(240)	80,956	1,337,829	(9,826,986)	(72,239)	338,082
Shares issuable to pay expenses on behalf of Cleango Greengo Inc.	–	–	–	15,050	–	–	–	15,050
Net loss for the period	–	–	–	–	–	(366,031)	–	(366,031)
Balance, June 30, 2021	17,496,851	8,818,762	(240)	96,006	1,337,829	(10,193,017)	(72,239)	(12,889)

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

Softlab9 Technologies Inc.
Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(unaudited)

	Six months ended June 30, 2021 $	Six months ended June 30, 2020 $
OPERATING ACTIVITIES		
Net loss for the period	(366,031)	(647,940)
Changes in non-cash working capital items:		
Amounts receivable	(16,315)	(699,716)
Prepaid expenses and deposits	32,000	5,000
Accounts payable and accrued liabilities	268,001	(43,593)
Due to related parties	–	7,405
Net cash used in operating activities	(82,345)	(1,378,844)
INVESTING ACTIVITIES		
Loans receivable advances	(15,050)	–
Net cash used in investing activities	(15,050)	–
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	–	4,800
Proceeds from issuance of shares	–	1,694,055
Net provided in financing activities	–	1,698,855
Change in cash	(97,395)	320,011
Cash, beginning of period	141,134	7,148
Cash, end of period	43,739	327,159
Non-cash investing and financing activities:		
Fair value of options exercised transferred to share capital	–	4,288
Shares issuable to pay expenses on behalf of Cleango Greengo Inc. included in loans receivable	15,050	–

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

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 605 - 815 Hornby Street, Vancouver, BC, V6Z 2E6.

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 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 condensed interim consolidated financial statements have been prepared on the assumption the Company will continue as a going concern. During the period ended June 30, 2021, the Company has not generated any revenues and incurred negative cash flows from operations. As at June 30, 2021, the Company has an accumulated deficit of $10,193,017. 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 interim 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) Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and using the accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended December 31, 2020.

These condensed interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2020. Interim results are not necessarily indicative of the results expected for the fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation

These condensed interim 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.

(c) Recent Accounting Pronouncements

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments to IAS 1 clarify the requirements relating to determining whether a liability should be presented as current or non-current in the statement of financial position. Under the new requirements, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

3. LOANS RECEIVABLE

(a) As at June 30, 2021, the Company has advanced $50,000 (2020 - $50,000) to Kosan Medical Company Ltd. The loan is non-interest bearing, secured by a general security agreement, and due on demand.

(b) As at June 30, 2021, the Company has advanced $928,526 (2020 – $898,426) to Cleango Greengo Inc. ("Cleango"). The loan will be forgiven upon closing the arrangement agreement with Cleango. Refer to Note 11. 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.

4. LOANS PAYABLE

(a) As at June 30, 2021, the amount of $24,730 (December 31, 2020 - $24,730) is owed to a non-related company which is non-interest bearing, unsecured, and due on demand.

(b) As at June 30, 2021, the amount of $50,000 (December 31, 2020 - $50,000) is owed to a non-related party which is non-interest bearing, unsecured, and due on demand.

(c) As at June 30, 2021, the amount of $25,000 (December 31, 2020 - $25,000) is owed to the father of a former director of the Company which is non-interest bearing, unsecured, and due on demand.

5. SHARE CAPITAL

(a) On June 9, 2021, the Company entered into a debt settlement agreement on behalf of CleanGo whereby the Company agreed to settle a debt of $3,525 through the issuance of 8,813 units at $0.40 per unit. Each unit is to consist of one common share and one-half of a transferrable common share purchase warrant at $0.70 per share expiring 18 months from the date of issuance. As at June 30, 2021, the Company has not yet issued the units.

(b) On April 2, 2021, the Company entered into a debt settlement agreement on behalf of CleanGo whereby the Company agreed to settle a debt of $6,900 through the issuance of 17,250 units at $0.40 per unit. Each unit is to consist of one common share and one-half of a transferrable common share purchase warrant at $0.70 per share expiring 18 months from the date of issuance. As at June 30, 2021, the Company has not yet issued the units.

(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

(c) On March 3, 2021, the Company entered into debt settlement agreement on behalf of CleanGo whereby the Company agreed to settle a debt of $4,625 through the issuance of 11,563 units at $0.40 per unit. Each unit is to consist of one common share and one-half of a transferrable common share purchase warrant exercisable at $0.70 per share expiring 18 months from the date of issuance. As at June 30, 2021, the Company has not yet issued the units.

(d) As at June 30, 2021, the Company has shares issuable of $96,006 (December 31, 2020 - $80,956).

6. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2020 and June 30, 2021	4,298,823	0.60

As at June 30, 2021, 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		

7. STOCK OPTIONS

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price $
Balance, December 31, 2020	308,000	0.65
Expired	(150,000)	1.22
Balance, June 30, 2021	158,000	1.22

Additional information regarding stock options outstanding as at June 30, 2021 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	0.6	0.12

8. RELATED PARTY TRANSACTIONS

(a) During the six months ended June 30, 2021, the Company incurred $90,000 (2020 - $90,000) in consulting and management fees to a company controlled by the Chief Executive Officer of the Company ("CEO"). As at June 30, 2021, the Company owed $189,434 (December 31, 2020 - $94,934) to companies controlled by the CEO which are included in accounts payable and accrued liabilities. As at June 30, 2021, the Company also owed $500 (December 31, 2020 - $500) to the CEO which is non-interest bearing, unsecured, and due on demand.

(b) During the six months ended June 30, 2021, the Company incurred $21,000 (2020 - $31,300) in professional fees to a company controlled by the Chief Financial Officer ("CFO") of the Company. As at June 30, 2021, the Company owed $22,050 (December 31, 2020 - $3,675) to a company controlled by the CFO which is included in accounts payable and accrued liabilities.

(c) As at June 30, 2021, the Company owed $27,531 (December 31, 2020 - $27,531) to the former President of the Company which is non-interest bearing, unsecured, and due on demand.

(d) As at June 30, 2020, the Company owed $40,920 (December 31, 2020 - $nil) to a director of the Company which is included in accounts payable and accrued liabilities.

9. 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.

10. 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.

(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 June 30, 2021, 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 June 30, 2021, the Company had cash of $43,739 and accounts payable and accrued liabilities of $1,038,420. 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.

11. 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.

12. SUBSEQUENT EVENT

(a) On July 7, 2021, the Company entered into a debt settlement agreement on behalf of CleanGo whereby the Company agreed to settle a debt of $3,925 through the issuance of 9,813 units at $0.40 per unit. Each unit is to consist of one common share and one-half of a transferrable common share purchase warrant at $0.70 per share expiring 18 months from the date of issuance.

(b) Subsequent to the period ended June 30, 2021 has closed the first tranche of its previously announced, non-brokered private placement of securities for gross proceeds of $218,250 (see news release disseminated on Feb. 1, 2021, for more information about the offering).

The securities sold pursuant to this tranche of the offering consist of 545,625 units of the issuer at a price of 40 cents per unit. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each whole warrant will entitle the holder to purchase, for a period of 18 months from the date of issue, one additional common share of the issuer at an exercise price of 70 cents. The warrants are subject to an acceleration provision in favour of the company where the closing price of the common shares on the Canadian Securities Exchange for 10 consecutive trading days (or the average of the bid and ask prices if not traded) following the expiry of the four-month-and-one-day hold period equals or exceeds $1 per common share. Finders' fees of $8,330 were paid to qualified finders.

The net proceeds of the offering will be held in escrow and released to the company upon acceptance by the CSE of the company's acquisition of Clean Go Green Go Inc. (see news releases disseminated on Nov. 23, 2020, and Feb. 25, 2021, for additional information about the acquisition).

(c) Subsequent to the period ended June 30, 2021, the Company is pleased to announce that it has completed a second tranche of its private placement offering first announced in its news release of August 19, 2021. In this second tranche, the Company issued 1,954,374 units for gross proceeds of C$781,750. Each Unit consisted of one common share in the capital of the Company ("Share") and one-half Share purchase warrant ("Warrant"). Each whole warrant will entitle the holder to purchase, for a period of 18 months from the date of issue, one additional common share of the Issuer at an exercise price of CAD $0.70 per common share. The warrants are subject to an acceleration provision in favour of the Company where the closing price of the common chares on the CSE for 10 consecutive trading days (or the average of the 'bid' and 'ask' prices if not traded) following the expiry of the four month and one day hold period equals or exceeds CAD$1.00 per common share.

The net proceeds of the offering will be held in escrow and released to the company upon acceptance by the CSE of the company's acquisition of Clean Go Green Go Inc.