Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)

Consolidated Financial Statements
December 31, 2019 and 2018

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Wikileaf Technologies Inc.

Opinion

We have audited the consolidated financial statements of Wikileaf Technologies Inc. (formerly Kona Capital Ltd.) (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to 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 financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit 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 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis (MD&A).

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the MD&A prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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;

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Mario Venditti.

Raymond Chabot Grant Thornton LLP[1]

Montréal, Canada
April 28, 2020

[1] CPA auditor, CA public accountancy permit no. A121855

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Consolidated Statements of Financial Position

December 31, 2019 and 2018

(In Canadian dollars)

	2019	2018
	$	$
ASSETS		
Current		
Cash	3,562,858	225,037
Prepaid expenses	120,711	9,251
	3,683,569	234,288
Long-term		
Equipment (Note 7)	38,391	
	3,721,960	234,288
LIABILITIES		
Current		
Trade and other payables (Note 8)	1,160,062	805,533
Advance from parent company, without interest	1,580,997	509,260
Notes payable to related parties (Note 11.2)	474,250	498,131
	3,215,309	1,812,924
EQUITY (DEFICIENCY)		
Share capital (Note 9)	14,770,456	5,707,626
Contributed surplus	1,947,920	367,860
Accumulated other comprehensive income (loss)	30,108	(64,401)
Deficit	(16,241,833)	(7,589,721)
	506,651	(1,578,636)
	3,721,960	234,288

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/s/ Connor Cruise	/s/ Manoj Hippola
Director	Director

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Consolidated Statements of Comprehensive Loss
Years ended December 31, 2019 and 2018
(In Canadian dollars)

	2019	2018
	$	$
Revenue	2,985	–
Expenses		
Salaries and benefits	1,903,762	1,012,091
Professional fees	1,980,337	928,576
Management fee (Note 11)	328,074	259,140
Marketing and entertainment	196,959	554,181
Rental expense	113,698	92,342
Office supplies	105,920	47,912
Insurance	56,050	2,985
Dues and subscriptions	40,386	11,970
Licensing fees	19,045	31,302
Bank charges	3,925	4,855
Share-based compensation	1,364,216	190,757
Depreciation of equipment	45,790	
Interest on notes payable to related parties	31,494	60,983
Listing fee	13,876	
Gain on disposal of subsidiary	(10,820)	
Transaction costs	2,453,916	
Other	8,469	
	8,655,097	3,197,094
Net loss	(8,652,112)	(3,197,094)
Items that will be reclassified subsequently to profit or loss		
Change in cumulative translation adjustments	94,509	(98,250)
Net comprehensive loss	(8,557,603)	(3,295,344)
Net loss per share (Note 13)		
Basic and diluted	(0.09)	(0.04)

The accompanying notes are an integral part of the consolidated financial statements.

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Consolidated Statements of Changes in Equity
Years ended December 31, 2019 and 2018
(In Canadian dollars, except for share capital amounts)

	Common shares		Subscription receipts		Preferred shares		Share capital		Accumulated other comprehensive		
	Number	Amount	Number	Amount	Number	Amount	Total amount	Contributed surplus	income (loss)	Deficit	Total equity (deficiency)
		$		$		$	$	$	$	$	$
Balance as at December 31, 2018	4,438,334	1,248,106	537,333	–	–	4,459,520	5,707,626	367,860	(64,401)	(7,589,721)	(1,578,636)
Subscription receipts converted to common shares	537,333		(537,333)								
Transactions as part of the reverse takeover and listing (Note 6)											
Capital reorganization split at 1:1.00489	24,295										
Issuance of common shares	94,999,522	6,959,501				(4,459,520)	2,499,981				2,499,981
Deemed issuance of stock options								216,000			216,000
Subscription receipts converted to common shares upon listing	13,696,000	6,848,000					6,848,000				6,848,000
Transaction costs related to share issuances		(285,531)					(285,531)				(285,531)
Exercise of stock options	20,000	224					224				224
Share-based compensation credited to share capital on options exercised		156					156	(156)			
Transactions with shareholders	109,277,150	13,522,350	(537,333)	–	–	(4,459,520)	9,062,830	215,844	–	–	9,278,674
	113,715,484	14,770,456	–	–	–	–	14,770,456	583,704	(64,401)	(7,589,721)	7,700,038
Share-based compensation								1,364,216			1,364,216
Net loss										(8,652,112)	(8,652,112)
Exchange differences on translating foreign operations									94,509		94,509
Balance as at December 31, 2019	113,715,484	14,770,456	–	–	–	–	14,770,456	1,947,920	30,108	(16,241,833)	506,651
Balance as at December 31, 2017	–	1,246,730	–	–	–	2,558,600	3,805,330	177,652	33,849	(4,392,627)	(375,796)
Share issuances – Wikileaf	4,438,334										
Share issuances – One Web						1,900,920	1,900,920				1,900,920
Subscription receipts issued			537,333								
Exercise of stock options		827					827				827
Share-based compensation credited to share capital on options exercised		549					549	(549)			
Transactions with shareholders	4,438,334	1,376	537,333	–	–	1,900,920	1,902,296	(549)	–	–	1,901,747
	4,438,334	1,248,106	537,333	–	–	4,459,520	5,707,626	177,103	33,849	(4,392,627)	1,525,951
Share-based compensation								190,757			190,757
Net loss and comprehensive loss for the period										(3,197,094)	(3,197,094)
Exchange differences on translating foreign operations									(98,250)		(98,250)
Balance as at December 31, 2018	4,438,334	1,248,106	537,333	–	–	4,459,520	5,707,626	367,860	(64,401)	(7,589,721)	(1,578,636)

The accompanying notes are an integral part of the consolidated financial statements.

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Consolidated Statements of Cash Flows
Years ended December 31, 2019 and 2018
(In Canadian dollars)

	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss	(8,652,112)	(3,197,094)
Non-cash items		
Depreciation of equipment	45,790	
Share-based compensation	1,364,216	190,757
Gain on disposal of subsidiary	(10,820)	
Transaction costs	2,453,916	
	(4,799,010)	(3,006,337)
Net change in working capital items	242,349	290,407
Net cash used in operating activities	(4,556,661)	(2,715,930)
INVESTING ACTIVITIES		
Purchase of equipment	(84,328)	
Cash acquired from reverse takeover	6,661	
Cash held in trust	5,709,950	
Cash from term deposit	300,000	
Net cash from investing activities	5,932,283	–
FINANCING ACTIVITIES		
Advance from parent company	2,913,105	509,260
Repayment of advance from parent company	(643,897)	
Notes payable to related parties		445,025
Proceeds from issuance of preferred shares		1,020,544
Share issue costs	(285,531)	(52,080)
Exercise of stock options	224	1,376
Net cash from financing activities	1,983,901	1,924,125
Net increase (decrease) in cash	3,359,523	(791,805)
Cash, beginning of year	225,037	1,020,123
Exchange difference on cash	(21,702)	(3,281)
Cash, end of year	3,562,858	225,037

The accompanying notes are an integral part of the consolidated financial statements.

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Notes to Consolidated Financial Statements
December 31, 2019 and 2018
(In Canadian dollars)

1. GOVERNING STATUTES, NATURE OF OPERATIONS AND CHANGE IN CORPORATE NAME

Wikileaf Technologies Inc. (formerly Kona Capital Ltd.) (hereafter "the Company") was incorporated under the British Columbia Business Corporations Act on April 3, 2018, and was based in Vancouver British Columbia. Prior to May 14, 2019, the Company was a blind pool company.

On May 14, 2019, the Company completed a business acquisition by acquiring 100% of the issued and outstanding shares of One Web Services, Inc. (hereafter "One Web"). The consolidated financial statements as at December 31, 2019 consolidate the accounts of One Web and those of the Company from May 14, 2019. The balances and transactions presented for periods prior to May 14, 2019 are those of One Web.

With the completion of the acquisition, the Company together with One Web (together referred to as "the Group") operate wikileaf.com, an on-line price comparison website, to help consumers find location-based pricing information about individual cannabis strains and products, which is the Group's only operating segment.

The Group's intended principal business is the sale of enhanced listing subscription services to cannabis dispensaries, product manufacturers and brands.

Upon completion of the acquisition, the Board of Directors approved the change of name of the Company to Wikileaf Technologies Inc.

The Group's parent company is Nesta Holding Co. Ltd.

2. GOING CONCERN ASSUMPTION

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular on the assumption that the Group will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

Since inception, the Group has incurred operating losses. As at December 31, 2019, the Group has a deficit of $16,241,833 ($7,589,721 as at December 31, 2018). The Group has not yet completed its efforts to establish a stabilized source of revenue sufficient to cover operating expenses and relies on support from its shareholders to cover such expenses. The Group intends to position itself so that it may be able to generate revenue and raise additional funds. However, there is no assurance that the Group will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Group's ability to continue as a going concern.

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Notes to Consolidated Financial Statements
December 31, 2019 and 2018
(In Canadian dollars)

2. GOING CONCERN ASSUMPTION (Continued)

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the consolidated statements of financial position classification have not been adjusted as would be required if the going concern assumption were not appropriate.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 28, 2020.

4. NEW OR REVISED ACCOUNTING STANDARDS

4.1 New standard adopted as at January 1, 2019

IFRS 16 Leases

IFRS 16 *Leases* replaces IAS 17 *Leases* along with three interpretations (IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease).*

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The adoption of this new standard has resulted in no impact for the Group as its sole lease is for its office space which is on a short-term lease of 12 months.

4. NEW OR REVISED ACCOUNTING STANDARDS (Continued)

4.2 Standards, amendments to existing standards and interpretations that are not yet effective and have not been adopted early by the Group

At the date of authorization of these consolidated financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published by the International Accounting Standards Board (IASB). None of these standards, amendments or interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Overall considerations

The consolidated financial statements have been prepared on an accrual basis using the significant accounting policies and measurement bases that are in effect as at December 31, 2019, as summarized below.

5.2 Principles of consolidation

The consolidated financial statements include the accounts of Wikileaf Technologies Inc. and its wholly-owned entities One Web Services Inc. and OWS Canada, Inc., which all have a reporting date of December 31. The Company controls its subsidiaries if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All intercompany transactions and balances are eliminated on consolidation.

5.3 Equipment

Equipment is accounted for at acquisition cost less accumulated depreciation. Depreciation is based on estimated useful life using the straight-line method over a period of one to three years.

Useful life of depreciable equipment

Management reviews its estimate of the useful life of depreciable equipment at each reporting date, based on the expected utility of the equipment. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain computer equipment.

Impairment

Equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Wikileaf Technologies Inc.
(formerly Kona Capital Ltd.)
Notes to Consolidated Financial Statements
December 31, 2019 and 2018
(In Canadian dollars)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.4 Leased assets

As described in Note 4.1, the Group has applied IFRS 16 using the modified retrospective approach and, therefore, comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

The Group has elected to account for its short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

5.5 Revenue

Interest income

Interest income is accounted for on an accrual basis.

5.6 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rate at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rate at the date when fair value was determined.

Foreign operations

The assets and liabilities of the Company's foreign subsidiary, One Web Services Inc., whose functional currency is the U.S. dollar, are translated at the exchange rate in effect at the date of the consolidated statements of financial position. Revenues and expenses are translated at monthly average exchange rates over the reporting period. Exchange gains or losses arising from the translation of One Web Services Inc.'s financial statements are recognized as accumulated foreign currency translation in the consolidated statements of changes in equity.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

The Group's financial asset consists of cash and it is classified at amortized cost since it is held within a business model whose objective is to "hold and collect" and the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, it is measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect is immaterial.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables (except vacation accrual), advance from parent company and notes payable to related parties and are initially classified at amortized cost. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

5.8 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.8 Income taxes (Continued)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

5.9 Equity

Share capital represents the amount received on the issuance of shares less issuance costs, net of any underlying income tax benefit from the issuance costs.

Accumulated other comprehensive income includes amounts related to cumulative translation adjustments.

Contributed surplus capital includes amounts related to equity-settled share-based compensation until such equity instruments are exercised or settled, in which case the amounts are transferred to share capital or reversed upon forfeiture if not vested.

Deficit includes all current and prior period losses.

5.10 Basic and diluted net loss per share

The Group presents basic and diluted loss per share data for its common shares calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

For the years ended December 31, 2019 and 2018, the diluted net loss per share was the same as the basic net loss per share since the stock options had an anti-dilutive effect (Note 13). Accordingly, the basic and diluted net loss per share for those years were calculated using the basic weighted average number of shares outstanding.

Wikileaf Technologies Inc.
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December 31, 2019 and 2018
(In Canadian dollars)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.11 Share-based compensation

The Group uses equity-settled share-based compensation plans for its employees. None of the Group's plans are cash-settled. Equity-settled share-based compensation is measured at the fair value of the services received at the grant date indirectly by reference to the fair value of the equity instruments granted, estimated using the Black-Scholes option pricing model.

The fair value determined at the grant date of the equity-settled share-based compensation is expensed over the vesting period with a corresponding increase in contributed surplus.

5.12 Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses.

Significant management judgment

The following are the significant management judgments in applying the accounting policies of the Group that have the most significant effects on the consolidated financial statements.

(i) Recognition of deferred tax assets:

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized;

(ii) Going concern:

The assessment of the Group's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, revenues and expenses is provided below. Actual results may be substantially different.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.12 Significant management judgment in applying accounting policies and estimation uncertainty (Continued)

Estimation uncertainty (Continued)

(i) Share-based compensation:

The estimation of share-based compensation's fair value and expense requires the selection of an appropriate pricing model.

The model used by the Group for stock options is the Black-Scholes pricing model. The Black-Scholes model requires the Group to make significant judgments regarding the assumptions used within the model, the most significant of which are the expected volatility of the Group's own common shares, the probable life of options granted, the time of exercise, the risk-free interest rate commensurate with the term of the options and the expected dividend yield.

6. REVERSE TAKEOVER

On May 14, 2019, the Company and One Web completed (the "Closing") a business combination transaction (the "Transaction") pursuant to an agreement and plan of merger (the "Merger Agreement"), dated April 8, 2019, by and among the Company, One Web and a wholly-owned subsidiary of the Company, OWS Merger Sub, Inc. ("Merger Sub"), whereby: (i) Merger Sub merged (the "Merger") with and into One Web, whereupon One Web survived as the wholly-owned subsidiary of the Company; and (ii) the Company changed its name to Wikileaf Technologies Inc.

Pursuant to the Transaction, holders of common shares and preferred shares (on an as-converted basis) of One Web ("One Web Shares") received 9.8078 fully paid and non-assessable common shares (rounded down to the nearest whole share) in the authorized share structure of the Company (the "Common Shares" or the "Company Shares") in exchange for each One Web Share held by such One Web shareholder. Consequently, the Company owns 100% of One Web and the One Web shareholders became shareholders of the Company. In addition, holders of One Web options received new options to purchase Company Shares, in lieu of shares otherwise issuable prior to the effective time of the Merger, adjusted in accordance with the terms of the various agreements, plans, and certificates representing the foregoing options.

(In Canadian dollars)

6. REVERSE TAKEOVER (Continued)

In accordance with IFRS 3 *Business Combinations,* the substance of the Transaction is a reverse acquisition of a non-operating company as the shareholders of One Web hold the majority of the shares of the Company. The Transaction does not constitute a business combination as the Company does not meet the definition of a business under that standard. As a result, the Transaction is accounted for in accordance with IFRS 2 *Share-based Payment,* with One Web being identified as the acquirer and the net asset of Company deemed acquired being measured at fair value of the shares and stock options of the Company that are outstanding just before the Transaction. Accordingly, the resulting balances and transactions for periods prior to May 14, 2019 are those of One Web.

Prior to the closing of the Transaction, the following transactions occurred:

a) On March 28, 2019, pursuant to a private placement, 13,276,000 subscription receipts were issued by the Company for a cash consideration of $5,499,950 and subscriptions receivable of $1,138,050.

   On May 13, 2019, the Company closed a second tranche of the private placement, resulting in the issuance of an additional 420,000 subscription receipts in exchange for gross proceeds of $210,000 in cash.

   The subscription receipts were exchanged, for no additional consideration, for common shares of the Company upon listing on the Canadian Stock Exchange (CSE), which occurred on September 25, 2019. Total share issuance costs including those related to the issuance of subscription receipts and the common shares on the CSE amounted to $285,531.

b) The Company completed a share split on a 1:1.00489 basis, resulting in 4,999,962 common shares outstanding prior to the Transaction.

c) On May 14, 2019, the Company and One Web closed the Transaction, resulting in the issuance of 94,999,522 common shares to the shareholders of One Web to acquire all of the issued and outstanding shares of One Web, taking into account an exchange ratio of 9.8078 shares of the Company for each share of One Web.

   The fair value of the consideration for the net assets acquired by One Web is as follows:

	$
4,999,962 common shares issued and outstanding of the Company	2,499,981
Fair value of options issued to officers and directors of the Company	216,000
	2,715,981

(In Canadian dollars)

6. REVERSE TAKEOVER (Continued)

The fair value of the Company's common shares issued and outstanding as well as the options outstanding was determined based on the private placement completed by the Company at $0.50 per common share.

The estimated fair value of the net assets acquired and the cost of the Transaction is as follows:

	$
Cash	6,661
Cash held in trust	5,709,950
Term deposit	300,000
Interest receivable	3,051
Subscription receivable	1,138,050
Trade payables	(183,797)
Subscription receipts	(6,711,850)
Transaction costs expensed	2,453,916
	2,715,981

Following the closing of the Transaction, the issued and outstanding options to officers and directors of the Company will continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. The fair value has been estimated at $216,000 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.25%
Expected dividend yield	Nil
Expected volatility	100%
Expected life	51 months

The underlying volatility for the options was determined by reference to historical data of comparable entities.

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7. EQUIPMENT

	Computer equipment	Other equipment	Total
	$	$	$
Gross carrying amount			
Additions	64,778	19,550	84,328
Foreign exchange	(265)	(80)	(345)
Balance as at December 31, 2019	64,513	19,470	83,983
Accumulated depreciation			
Depreciation	(42,130)	(3,660)	(45,790)
Foreign exchange	182	16	198
Balance as at December 31, 2019	(41,948)	(3,644)	(45,592)
Carrying amount, end of year	22,565	15,826	38,391

8. TRADE AND OTHER PAYABLES

	2019	2018
	$	$
Trade accounts payable	65,874	29,493
Management fee payable to the parent company (Note 11.1)	857,732	654,816
Interest on notes payable to related parties (Note 11.2)	146,240	121,224
Vacation accrual	90,216	
	1,160,062	805,533

9. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares, voting, participating and without par value.

	2019	2018
	$	$
Issued and fully paid		
113,715,484 common shares (4,438,334 as at December 31, 2018)	14,770,456	5,707,626
- subscription receipt (537,333 as at December 31, 2018)		
	14,770,456	5,707,626

The consolidated statements of changes in equity present the dollar amounts of One Web's equity as at December 31, 2018, with the issued and outstanding shares of the Company.

During the initial 273-day period ended December 31, 2018, the Company issued 4,438,334 common shares.

During the initial 273-day period ended December 31, 2018, the Company issued 537,333 subscription receipts. The subscription receipts were converted into common shares in February 2019 on a one-for-one basis.

9. SHARE CAPITAL (Continued)

Prospectus to qualify common shares

On May 28, 2019, the Company filed a preliminary prospectus to qualify the distribution of 13,696,000 common shares of the Company to the holders of the subscription receipts. Such distribution is without payment of additional consideration. An application had also been filed to have the common shares of the Company listed for trading on the CSE. On September 16, 2019, the Company filed a final non-offering prospectus for purposes of becoming a reporting issuer pursuant to applicable securities regulations and on September 25, 2019, the Company was effectively listed on the CSE.

Common shares and options held in escrow

As part of the Company becoming a reporting issuer, the Company entered into an escrow agreement whereby 88,065,325 common shares and 10,933,915 stock options were put in escrow. Under the escrow agreement, 10% of the escrowed shares and options were released with the Company becoming a reporting issuer (hereafter "the listing date") with the remaining shares and options being released 15% every six months thereafter.

In addition, 2,987,742 additional common shares were also put in escrow as voluntarily restricted shares with 25% being released on the listing date and the remaining shares being released 25% every three months thereafter.

As at December 31, 2019, there were 80,752,660 common shares and 6,586,186 options remaining in escrow.

10. SHARE-BASED COMPENSATION

Stock options

During the year ended December 31, 2019, the Board of Directors approved the issuance of 4,394,887 stock options to employees and consultants at an exercise price of $0.50 per share and maturing in 10 years from the date of issuance. One third of the options vests at a specific date within one year of their issuance with the remaining amount vesting in tranches of 1/36th on a monthly basis each month thereafter.

During the year ended December 31, 2019, the Board of Directors approved the issuance of 100,000 stock options to an employee at an exercise price of $0.25 per share and maturing in 10 years from the date of issuance. One third of the options vests in a year following the date of issuance and within one year of grant with the remaining amount vesting in tranches of 1/36th on a monthly basis each month thereafter.

The 500,000 deemed issued options which are described in Note 6 are vested.

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10. SHARE-BASED COMPENSATION (Continued)

During the year ended December 31, 2018, the Board of Directors approved the issuance of 4,437,856 and 4,926,417 stock options to employees and consultants at exercise prices of $0.18 and $0.05 per share respectively and each maturing 10 years from the date of issuance. One quarter of the options vests after the first year and the remaining amount in tranches of 1/48th on a monthly basis over the four years following the grant.

During the year ended December 31, 2019, 20,000 options were exercised at $0.011 per option and common shares were issued in exchange for the exercised options. The fair value of the shares at the exercise date was $0.21 per share.

During the year ended December 31, 2018, 73,556 options were exercised at $0.011 per option and common shares were issued in exchange for the exercised options. 514,889 options were forfeited and reissued during the year.

During the year ended December 31, 2019, 976,046 options were forfeited.

During the year ended December 31, 2019, 2,943,755 options were cancelled for an employee who remained under the employment of the Company. As a result, the remainder of its unvested stock options were expensed, resulting in an additional share-based compensation expense for 2019 of $792,615.

The following table summarizes information related to stock options:

	2019		2018	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$		$	
Balance, beginning of year	0.091	12,905,270	0.011	4,129,442
Deemed issuance	0.150	500,000		
Issuance	0.494	4,494,887	0.118	9,364,273
Exercised	0.011	(20,000)	0.011	(73,556)
Forfeited	0.277	(976,046)	0.011	(514,889)
Cancelled	0.500	(2,943,755)		
Balance, end of year	0.123	13,960,356	0.091	12,905,270

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10. SHARE-BASED COMPENSATION (Continued)

The fair value of options granted in 2019 has been estimated at $1,290,249 ($837,766 in 2018) using the Black-Scholes option pricing model with the following assumptions:

	2019		2018
Number of stock options granted	100,000	4,394,887	9,364,273
Weighted average exercise price ($)	0.25	0.50	0.05
Expected option life	5 years	5 years	10 years
Weighted average expected share price volatility (a)	76.00%	70.00%	69.53%
Weighted average risk-free interest rate	1.44%	1.67%	2.00%
Expected dividend yield	Nil	Nil	Nil
Fair value of stock options granted ($)	5,624	1,284,625	837,766
Fair value of stock options granted per option ($)	0.06	0.29	0.09

(a) The underlying volatility for the options was determined by reference to historical data of comparable entities.

	Options outstanding		
Exercise prices	Number	Weighted average contractual life (years)	Number of options exercisable
December 31, 2019			
$0.01	3,463,392	7.89	1,904,871
$0.05	4,580,183	8.00	1,832,072
$0.18	4,241,871	8.81	1,060,468
$0.15	500,000	8.78	500,000
$0.50	1,074,910	9.39	
$0.25	100,000	9.84	
	13,960,356	8.37	5,297,411
December 31, 2018			
$0.01	3,540,997	8.89	1,385,361
$0.05	4,926,417	9.00	1,145,045
$0.18	4,437,856	9.81	
	12,905,270	9.25	2,530,406

The weighted average exercise price of options exercisable is $0.07 ($0.03 as at December 31, 2018).

11. RELATED PARTY TRANSACTIONS

11.1 Transactions with the parent company

The Group entered into a related party transaction with its parent company. The arrangement requires the Group to pay a fee of US$60,000 (US$50,000 in 2018) per quarter for the management services rendered. As at December 31, 2019, there is an amount of $857,732 (US$660,000) ($654,816 (US$480,000) as at December 31, 2018) of management fees accrued and $328,074 (US$240,000) ($259,140 (US$200,000) in 2018) included in expenses.

11.2 Notes payable to related parties

Unsecured promissory notes were issued to the parent company and a company exercising significant influence over the Group.

In 2018, the notes which were initially issued to the company exercising significant influence were assumed by the parent company, resulting in the entire amount, excluding outstanding interest, to be owed to the parent company.

In 2018, additional unsecured promissory notes of $445,025 (US$331,317) were issued to the parent company.

In 2018, the Company issued 265,297 Series "A" preferred shares at a price of US$2.699512 per share in exchange for the redemption of notes payable in the amount of $961,962 (US$716,172).

As at December 31, 2019, the outstanding balance of notes payable to the parent company is $474,250 (US$365,145) ($498,131 (US$365,145) as at December 31, 2018). The notes bear interest at prime rate plus 1% (5.75%; 6.5% as at December 31, 2018).

As at December 31, 2019, there is $146,240 (US$112,596) of interest payable accrued from the notes ($121,224 (US$88,861) as at December 31, 2018) of which $86,450 ($US66,561) is payable to the parent company and $59,790 (US$46,035) is payable to the company exercising significant influence ($58,422 (US$42,826) and $62,802 (US$46,035) as at December 31, 2018, respectively). In 2019, $31,494 (US$23,735) of interest expense was recognized ($60,983 (US$47,066) in 2018).

The notes payable to the parent company and related interest, as well as the advances from the parent company for operations, are all due upon demand. The management fees are due as the services are rendered and at the latest upon a change of control of the Group. The parent company has provided an acknowledgement that it will not seek repayment of any of these amounts until the Group has revenue of $2,500,000 or on the occurrence of a significant financing of over $5,000,000 or by conversion of these amounts into common shares at the then applicable trading price of the shares on the CSE.

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11. RELATED PARTY TRANSACTIONS (Continued)

11.3 Transactions with key management personnel

Key management of the Group includes all members of the Board of Directors and three members of senior management in 2019 (two in 2018).

	2019	2018
	$	$
Salaries	498,099	189,838
Share-based compensation	973,022	116,375
	1,471,121	306,213

12. INCOME TAXES

As at December 31, 2019, the Group has net operating loss carry-forwards of approximately $12,157,000 that may be available to reduce taxable income in future years in various amounts through 2039. The Group has determined that the realization of the future tax benefits arising from the net operating loss carry-forwards are not likely to occur and, therefore, deferred tax assets have not been recognized in the consolidated financial statements.

The following table presents the years of expiration of the Group's unused tax losses carried forward for which no deferred tax assets have been recognized as at December 31, 2019:

	$
2034	71,000
2035	47,000
2036	1,307,000
2037	2,896,000
2038	49,000
2039	1,980,000
	6,350,000
Tax losses carried forward with an indefinite life	5,807,000
	12,157,000

The reconciliation of the statutory income tax rate to the Group's effective income tax rate is detailed as follows:

	2019	2018
	%	%
Combined federal and state income tax rate	**27.0**	21.0
Foreign losses taxed at a lower income tax rate	**(2.0)**	
Deferred tax assets not recognized	**(13.0)**	(19.7)
Transaction costs	**(7.7)**	
Share-based compensation	**(3.9)**	(1.3)
Other	**(0.4)**	
	–	–

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13. NET LOSS PER SHARE

	Net loss	Weighted average number of common shares outstanding – basic and diluted	Net loss per common share – basic and diluted
	$	$	$
Basic and diluted net loss per common share			
December 31, 2019	(8,652,112)	95,764,721	(0.09)
December 31, 2018	(3,197,094)	78,483,561	(0.04)

14. FINANCIAL RISKS

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities are summarized in Note 5.7. The main types of risks are credit risk and liquidity risk.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

14.1 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at December 31, as summarized below:

	2019	2018
	$	$
Cash	3,562,858	225,037

The credit risk for cash is considered negligible since the counterparties are reputable financial institutions with high quality external credit ratings.

14.2 Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by forecasting cash inflows and outflows due in day-to-day business.

The Group's objective is to maintain cash to meet its liquidity requirements on a monthly basis.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources.

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14. FINANCIAL RISKS (Continued)

The Group's financial liabilities are as follows:

	2019	2018
	$	$
Trade and other payables	1,160,062	805,533
Advance from parent company, without interest	1,580,997	509,260
Notes payable to related parties	474,250	498,131
	3,215,309	1,812,924

All of the Group's financial liabilities are due in the next year, except for liabilities owed to the parent company for which the parent company has acknowledged that it will not seek repayment until the Group meets certain conditions as described in note 11.2.

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Notes payable to related parties	Advance from parent company	Total
	$	$	$
Balance as at December 31, 2017	940,875		940,875
Cash flows			
Proceeds	445,025	509,260	954,285
Non-cash			
Preferred share issue	(932,456)		(932,456)
Foreign exchange	44,687		
Balance as at December 31, 2018	498,131	509,260	962,704
Cash flows			
Proceeds		2,913,105	2,913,105
Repayments		(643,897)	(643,897)
Non-cash			
Subscription receivable (a)		(1,138,050)	
Foreign exchange	(23,881)	(48,601)	(72,482)
Gain on disposal of subsidiary		(10,820)	
Balance as at December 31, 2019	474,250	1,580,997	3,159,430

(a) The subscription receivable from the parent company was offset against the advances owing to the parent company.

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15. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The capital structure of the Group consists of cash, advance from parent company, notes payable to related parties and equity (deficiency). A summary of the Group's capital structure is as follows:

	2019	2018
	$	$
Cash	3,562,858	225,037
Notes payable to related parties	474,250	498,131
Advance from parent company, without interest	1,580,997	509,260
Total equity (deficiency)	506,651	(1,578,636)
	2,561,898	(571,245)

The Group manages its capital structure in accordance with its expected business growth, operational objectives and underlying industry, and market and economic conditions. Consequently, the Group will develop a plan influenced by its capital structure to be presented and approved by the Board of Directors. The plan may include issuance of shares or debt.

16. POST-REPORTING DATE EVENTS

Subsequent to the Group’s year-end, the following events occurred:

– On January 13, 2020, the Company granted to its new CEO 1,000,000 stock options, which vest 25% immediately and the remaining 75% on December 31, 2021 based upon financial measures of the Company. Using the Black-Scholes model, the estimated fair value of the stock options are $18,738;

– On January 16, 2020, the Company granted 1,500,000 stock options, where one-third vests at the date of the grant, one-third at the one-year anniversary date of the grant and the remaining one-third over the 24 months thereafter. These options were granted in replacement of the 2,943,755 stock options cancelled, as described in Note 10. The fair value of the newly granted stock options is lower than the incremental fair value of the unvested stock options which were cancelled in 2019 and, as a result, no additional expense will be accounted for;

– On January 16, 2020, 960,309 unvested stock options were forfeited by the holders, resulting in no additional share-based compensation expense;

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16. POST-REPORTING DATE EVENTS (Continued)

– During the first quarter of 2020, a new global pandemic called coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the consolidated financial statements.

  The unpredictable nature of the pandemic may potentially cause significant changes to the assets or liabilities in the coming year or to have a significant impact on future operations. The Group prepared to adjust its strategies in order to minimize the impact. However, it is impossible to determine the financial impacts for the moment.