

WIKILEAF TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
("MD&A")

FOR THE THREE MONTHS
AND YEAR ENDED
DECEMBER 31, 2019



Uncle Ike's **\$37**
★★★★★
1525 E. Olive Way



SEATTLE CANNABIS **\$42**
★★★★★
7262 Rainier Ave S



PONDER **\$40**
★★★★★
2413 E Union St





Management Discussion and Analysis

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Wikileaf Technologies Inc., formerly Kona Capital Ltd. (the “**Company**”, “**we**”, “**us**”, “**our**”) prepared for the year ended December 31, 2019 should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2019 and 2018. All figures contained in this MD&A are presented in Canadian dollars. This MD&A contains information up to and including April 17, 2020

Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company’s future performance. All statements, other than statements of historical fact, may be forward-looking statements. The MD&A includes forward looking information with respect to our Wikileaf brand and its ability to capitalize on compelling opportunities in the future.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors, including, but not limited to:

- assumptions about the ability of the Company to raise necessary capital for its existing operations and expansion plans,
- the ability of the Company to retain key management personnel,
- assumptions related to our ability to attract and retain advertisers
- the ability of the Company to continue to increase organic user traffic on the platform which in turn attracts dispensary and brand advertisers.

Canadian Companies with US Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with US Marijuana-Related Activities* (the “Staff Notice”), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state’s regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer’s involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the US; and (iv) a discussion of the reporting issuer’s ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have “ancillary industry involvement”, all as further described in the Staff Notice. At this time, the Company’s involvement in the US cannabis industry is limited and its industry involvement of cannabis activities is “Ancillary” through direct control of a website that provides services to third parties who are involved in the US marijuana industry. In addition, the Company does not operate, nor control any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with any US state license. As a result of the Company having cannabis-related operations in the US, the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the US

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where it conducts operations. To the best of the Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable US state. The Company is not aware of: (i) any noncompliance with respect to marijuana-related activities, or (ii) any notices of violation with respect to its marijuana-related activities by its respective regulatory authorities.

Operational Overview





The Company

Overview

The Company owns and operates Wikileaf.com (the “**Platform**”), a leading price comparison site to help cannabis consumers find location-based pricing information about individual marijuana strains and products – at the critical moment when they are deciding where to spend their money.

Each day, tens of thousands of cannabis consumers use the Wikileaf website to find and interact with local dispensaries and brands to learn about and find the best prices for their desired cannabis strains and products. Dispensaries and cannabis brands in turn use our free digital listing services to engage with consumers as an additional point of consumer engagement. Our active database of over **6,000** licensed cannabis dispensaries and brands attracts a vibrant community of cannabis users seeking information on pricing and cannabis strains.

The Market Opportunity

- **Cannabis Consumers:** are unable to find real-time pricing for desired cannabis strains and brand products available to them within their vicinity.
- **Dispensaries and Brands:** are challenged to properly advertise their cannabis-based products, identify new customers and measure the effectiveness of their marketing efforts

Just as travelers use price comparison websites such as *Expedia* to find the cheapest airline flights and hotels, consumers use Wikileaf to find the right cannabis strain at the best price in their immediate area. Wikileaf has quickly become one of the top cannabis price comparison sites, connecting marijuana buyers with licensed dispensaries and brands – in real time.

Our Value Proposition

We believe cannabis consumers research strain and product pricing when they intend to buy. Wikileaf puts dispensaries and brands in front of cannabis shoppers with immediate purchase intent.



Value Proposition for Users

- **Price Transparency:** The customer specifies a desired strain or product and instantly views multiple price quotes from dispensaries located nearby.
- **Educational Tools:** Wikileaf has over 600,000 listed strains and products, more than 6,000 dispensary and brand profiles and thousands of customer reviews and pieces of content available to users to browse for free.

Value Proposition for Advertisers

- **Large Audience:** Wikileaf has over 1.0 million organic visits per month with 98.9% of U.S. visits originating from legalized U.S. jurisdictions ⁽¹⁾. Wikileaf is the third most-visited cannabis website in the United States. ⁽²⁾.
- **Location-target advertising:** Dispensaries can understand the customer tastes based on their location-target advertising directly to cannabis users located nearby with digital tools.

With millions of inquiries on the Platform that are tied to specific geographical locations, Wikileaf is able to provide an understanding of local customer behavioural trends and user psychographics to individual dispensaries and brands that will help inform their inventory purchasing, product stocking and strain cultivation decisions.

We intend to derive our revenue principally through subscription fees from our prospective customers, who range from dispensaries and retailers to national cannabis brands, product manufacturers and licensed cannabis producers. Our revenue will be driven primarily by the number and type of our premium services to which our paying customers subscribe.

Notes:

(1) Source: Google Analytics, Internal

(2) Source: Rank2Traffic, SimilarWeb



2019 Highlights

The Merger Transaction

On May 14, 2019, the Company, its wholly-owned subsidiary **OWS Merger Sub, Inc.** (“Merger Sub”) and **One Web Services, Inc.** (“One Web”) completed (the “Closing”) a business combination transaction pursuant to an Agreement and Plan of Merger, dated April 8, 2019, by and among the Company, Merger Sub and One Web whereby: (i) Merger Sub merged 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.**” (“Wikileaf”).

Pursuant to the Merger, holders of common shares (on an as-converted basis) of One Web 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 in exchange for each One Web share held by such shareholders. Consequently, the Company owns 100% of One Web and One Web shareholders became shareholders of the Company. In addition, holders of One Web options received options to purchase the 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.

Private Placement Offering of Subscription Receipts

The Company completed a non-brokered private placement financing (the “Private Placement Offering”) of securities (pursuant to prospectus and registration exemptions in Canada, the United States, and in other jurisdictions) to raise aggregate gross proceeds of \$6,848,000 through the issuance of 13,696,000 subscription receipts of the Company at a price of \$0.50 per Subscription Receipt. The Private Placement Offering is required in order to satisfy closing conditions of the Transaction.

Canadian Stock Exchange Listing

On September 25, 2019, Wikileaf effectively listed publicly on the Canadian Stock Exchange (“CSE”). The above described subscription receipts were exchanged for no additional consideration into common shares of Wikileaf.



Key Metrics

Management has identified **organic site traffic, unique users, dispensary locations and brands** as relevant to investors assessment of our operational results.

Organic Site Traffic

We calculate desktop and mobile user ‘engagement’ as the number of organic user sessions (traffic) as measured by *Google Analytics*. This traffic metric is a good indicator of our user’s level of engagement with our desktop website, mobile website and mobile apps. This metric is solely our organic traffic and does not represent traffic acquired via our content partner sites, which display a Wikileaf widget for price comparison, deals and strain information.

For the Year Ended

December 31, 2019 and 2018

(in thousands)

	2019	2018	2018 to 2019 % change
Average Monthly Traffic - Total	1,215.5	564.7	115%
Average Monthly Traffic – Mobile	993.7	401.5	148%

For the Three Months

Ended December 31, 2019 and 2018

(in thousands)

	2019	2018	2018 to 2019 % change
Average Monthly Traffic - Total	1,142.9	1,043.2	9.6%
Average Monthly Traffic – Mobile	993.3	843.1	10.3%

¹ Re-indexing is the process whereby Google re-evaluates webpages and scores resident content as more or less relevant.



We believe highly engaged users conducting price comparison and informational searches are more likely to be 'purchase-ready' consumers and therefore more sought-after by our prospective advertising clients. We attribute the tremendous growth in our monthly site traffic primarily to a significant Google re-indexing¹ of the Wikileaf site which occurred in the fourth quarter of 2018.

Our user growth team has worked diligently to maintain the site's 'white hat'² status by using proper site indexing processes, while providing site development guidance to ensure SEO (search engine optimization) compliance. Conversely, it appears many of our competitors employ less than admirable traffic acquisition strategies.

Unique Users

We calculate unique visitors as the number of individual 'users' as measured by *Google Analytics* who have visited our desktop, mobile website and mobile apps at least once in a given month, averaged over the reporting period.

Measuring unique visitors is important to us because our future revenue will depend in part on our ability to enable dispensaries and brands to connect with our users. We count a unique visitor the first time the individual accesses one of our mobile applications using a mobile device during a calendar month and the first time an individual accesses our website using a web browser in a calendar month.

For the Year Ended December 31, 2019 and 2018

(in thousands)

	2019	2018	2018 to 2019 % change
Average Monthly Unique Users	923.4	447.0	107%

¹ Re-indexing is the process whereby Google re-evaluates webpages and scores resident content as more or less relevant.



For the Three Months
Ended December 31, 2019 and 2018
(in thousands)

	2019	2018	2018 to 2019 % change
Average Monthly Unique Users	838.6	820.6	2.2%

We attribute the tremendous annual growth in unique visitors primarily to Google's quarterly re-indexing of our site (explained previously) as well as to the release of v.6 of Wikileaf.com and the next versions of our Android and iOS mobile apps in the third quarter of 2019.

Active Dispensary Locations

Active Dispensary Locations represents the cumulative number of licensed cannabis dispensaries and delivery services that are viewable on Wikileaf.com that have been actively engaged with the site over the previous 30 days. We define a dispensary location as each individual dispensary address or multi-site delivery operation operating legally within their respective jurisdiction with a free business listing on Wikileaf.com available to be viewed by our users.

For the Year Ended
December 31, 2019 and 2018

	2019	2018	2018 to 2019 % Change
Active Dispensary Locations	5,257	2,617	101%

Our current active dispensary location count represents approximately 76% U.S. market presence based on dispensary count statistics provided by *Cannabiz Media* (CNB Media, LLC) and our own internal calculations based on site issued dispensary licenses. Wikileaf only lists licensed operators on its website and endeavors to remove any dispensary location operating unlicensed and illegally within its individual state's regulatory regime.



Brands

The Brands category is represented by national cannabis branded products, licensed producers and processors. Brands use Wikileaf to promote their unique products, strains and services as well as to amplify their visibility and reach.

For the Year Ended December 31, 2019 and 2018

(in thousands)

	2019	2018	2018 to 2019 % change
Brands	2,696	115	2,244%

According to a study by Nielsen the number of cannabis product brands in the U.S. have multiplied 16-fold from 2014 to 2018, increasing from 166 to 2,650¹. There are over 60,000 product manufacturers and cultivators globally². Site users can use Wikileaf to locate their favorite strain, product or brand at a dispensary nearby for the cheapest price

¹ Nielsen, (July 26, 2019). [Brace For Impact: U.S. CPG Cannabis Sales To Rise By The Billions.](#)

² Cannabiz Media *Intelligence + Insights*



Growth Strategy

Our objective is to further extend our position as a leading provider of price transparency and informational tools for cannabis users. To accomplish this, we intend to:

Improve our User Experience. Our mission is to empower the cannabis consumer. To that end, we provide real time price comparison of cannabis strains and brands based on a user's location. In addition, we provide informational tools such as strain and brand profiles, dispensary reviews, instructional videos and news content. We intend to continue developing technology offerings to meet the ever-changing expectations of today's cannabis consumers, with the goal of earning consumers' preference for the Wikileaf site features.

Grow our Audience and Increase User Engagement. We intend to expand our content distribution, targeted marketing and advertising programs, public relations and social media initiatives to efficiently increase consumer awareness for our brand. We also intend to increase our user footprint via international expansion with language specific offerings. We have over 6,000 dispensaries, retailers and brands from across the United States and Canada with detailed profiles on Wikileaf. As cannabis legalization initiatives continue to proliferate worldwide, the Company intends to take advantage of the opportunity to scale its platform globally.

Grow the number of Dispensaries and Brands on Wikileaf. We intend to promote our niche valuation proposition to dispensaries and brands who are severely hindered from advertising online and would benefit from a highly targeted, purchase intent audience.

Deepen and Expand our Services to Dispensaries and Brands. We intend to deepen and expand our platform beyond advertising services for dispensaries and brands through the development ancillary services as it pertains to pre-ordering facilities, affiliate programs, cannabis delivery and eCommerce opportunities.

Leverage our Data. With millions of pricing inquiries on our Wikileaf platform that are tied to specific geographical locations, our platform is able to provide an understanding of local customer behavioral trends and user psychographics to individual dispensaries and brands aiming to properly service local customers in addition to multi-state operators seeking to understand state/local market dynamics based on user search queries.

Financial Overview





Selected Financial Information

The following table highlights certain information and financial data of the Company for each of the two most recently completed financial years ended December 31, 2019 and 2018, respectively. Information set forth below should be read in conjunction with the Company's audited consolidated financial statements for the indicated years ended.

	2019	2018
Revenue	2,985	-
Net loss	(8,652,112)	(3,197,094)
Cash	3,562,858	225,037
Total assets	3,721,960	234,288
Total shareholders' deficiency	16,241,833	7,589,721

Revenue

The Company's revenue was \$2,985 and \$0 during the years ended December 31, 2019 and 2018 respectively. Revenue were derived primarily from the submission of Wikileaf.com to an online advertising network as a publisher website. Revenue for the three months ended December 31, 2019 and 2018 totaled \$2,595 and \$0 respectively.

The Company's management made the decision to not commence comprehensive commercialization initiatives until Wikileaf had achieved a significant market presence with regards to user traffic and engagement as well as the total number of U.S. dispensaries and brands resident on the website. Based on the current trajectory for these key metrics, the Company anticipates initiating monetization in the second quarter of 2020.

Operating Expenses

Operating expenses during the years ended December 31, 2019 and 2018 totaled \$8,655,097 and \$3,197,094 respectively. The Company incurred significant one-time expenses in relation to its Merger Transaction and go-public initiatives. Operating expenses for the three months ended December 31, 2019 and 2018 totaled \$2,436,372 and \$754,670 respectively. The Company incurred significant non-recurring expenses in relation to its Merger Transaction, financing and go-public initiatives which consisted



primarily of legal and audit related expenses. We do not anticipate these expenses to reoccur going forward.

Marketing Expenses

	Year Ending December 31,		2018 to 2019 % change
	2019	2018	
Marketing & Entertainment	196,959	554,181	-64%

Marketing expenses during the years ended December 31, 2019 and 2018 totaled \$196,959 and \$554,181 respectively. The significant decrease in marketing expenditures year-to-year is a result of decreased expenses related to the elimination of traffic referral partnerships previously employed by the Company. We anticipate this expense item to increase with sales related expenditures as we commence commercialization in 2020.

	Three months ending December 31,		2018 to 2019 % change
	2019	2018	
Marketing & Entertainment	112,282	96,401	16%

Marketing expenses during the three months ended December 31, 2019 and 2018 totaled \$112,282 and \$96,401 respectively. The increase in marketing expenditures year-to-year is a result of increased expenses related to advertising and promotional expenditures in the quarter. We anticipate this expense item to increase over time as we commence commercialization in 2020.

Professional Fees

	Year Ending December 31,		2018 to 2019 % change
	2019	2018	
Professional Fees	1,980,337	928,576	113%

Professional fee expenses during the years ended December 31, 2019 and 2018 totaled \$1,980,337 and \$928,576 respectively. The Company incurred significant non-recurring professional expenditures in relation to its Merger Transaction, financing and go-public initiatives which consisted primarily of legal and audit related expenses. We anticipate this expense line item to decrease going forward as many of these expenses are non-



recurring. The increase in professional fees year-to-year can also be attributed to the increased expenses associated with the development of version 6 of Wikileaf.com and the associated iOS and Android mobile applications, whereby the Company enlisted third-party software developers.

	Three months ending December 31,		
	2019	2018	2018 to 2019 % change
Professional Fees	570,229	259,894	119%

Professional fee expenses during the three months ended December 31, 2019 and 2018 totaled \$570,229 and \$259,894 respectively. The increase can be attributed to incurred professional fees associated with being a public company. We don't anticipate this expense line item to increase materially going forward.

Salaries and Benefits

	Year ended December 31,		
	2019	2018	2018 to 2019 % change
Salaries and Benefits	1,903,762	1,012,091	88%

Salaries and benefits expense during the years ended December 31, 2019 and 2018 totaled \$1,903,762 and \$1,012,091 respectively. The increase in salaries and benefits expense year-to-year is a result of increased expenses related to the hiring of senior executives and the hiring of software developers internally to meet key product development timeline objectives. We do not anticipate this expense item will increase materially going forward.



	Three months ended December 31,		2018 to 2019 % change
	2019	2018	
Salaries and Benefits	696,645	200,225	248%

Salaries and benefits expense during the three months ended December 31, 2019 and 2018 totaled \$696,645 and \$200,225 respectively. The increase in salaries and benefits expense period-to-period is a result of increased expenses related to the hiring of senior executives pursuant to our public listing and software developers internally to meet key product development timeline objectives. We do not anticipate this expense item will increase materially going forward.

Outstanding Share Data

As of the date of this MD&A, 113,715,484 common shares are issued and outstanding. In the first quarter of 2019, the Company conducted a private placement of 13,276,000 subscription receipts for gross proceeds of \$6,638,000. An additional 420,000 subscription receipts were issued in the second quarter for gross proceeds of \$210,000. Transactions costs related to the issuance of the subscription receipts amounted to \$285,531. At the time of issuance, each subscription receipt was automatically exchangeable without any further action on the part of the holder or payment of any additional consideration for one common share of the Company on the date the Company obtained a final receipt for a prospectus and became a reporting issuer in the Province of Ontario. Accordingly, the subscription receipts were converted into common shares with the Company effectively listing on the CSE.

Share Capitalization	Year ended	
	2019	2018
Common shares	113,715,484	4,438,334 ⁽¹⁾
Subscription Receipts	-	537,333

(1) Total shares outstanding prior to forward split of 1.00489:1

Loss per share

Basic and diluted loss per share for the year ended December 31, 2019 and 2018 was -\$0.09 per share and -\$0.04 per share respectively, and for the three months ended December 31, 2019 and 2018 was -\$0.02 per share for both periods. The increase in loss per share is a result of the increase in operating expenses from period-to-period, related to the cost of the Merger Transaction and increases in salaries and benefits, share-based compensation and professional fees.



Liquidity and Capital Resources	Year ending	
	December 31,	2018
	2019	
Net cash used in operating activities	(4,556,661)	(2,715,930)
Net cash from investing activities	5,932,283	-
Net cash from financing activities	1,983,901	1,924,125

The Company's net cash used in operations for the year ended December 31, 2019 was \$4,556,661 (2018: \$2,715,930). The increase was largely attributed to professional fees related to the Company's Merger Transaction, public listing as well as increased salaries and benefits related to the development of the Company's technology.

The Company's net cash from investing for the year ended December 31, 2019 was \$5,932,283 (2018: \$0) The significant increase can be attributed to cash held in trust pursuant to the Company's announced financing. The Company does not anticipate any material capital expenditures in 2020.

The Company's net cash from financing for the year ended December 31, 2019 was \$1,983,901 (2018: \$1,924,125) The increase can be attributed to advances provided to the Company from its parent company.

As at December 31, 2019, Company had a cash balance of \$3,562,858 (December 31, 2018: \$225,037). The Company had current liabilities of \$3,319,213 (December 31, 2018: \$1,812,924). The Company's positive cash flow is a result of its announced financing pursuant to its public listing as well as financing provided by the parent company during the year ended December 31, 2019.

	Three months ending	
	December 31,	2018
	2019	
Cash used in operating activities	(1,804,803)	(653,084)
Cash used in investing activities	(15,526)	-
Cash provided by (used in) financing activities	(336,429)	474,431

The Company's cash used in operations for the three months ended December 31, 2019 was \$1,804,803 (2018: \$653,084). The increase can be attributed to incurred professional fees associated with being a public company as well as increased salaries and benefits related to the development of the Company's technology platform.



The Company's cash used in investing for the three months ended December 31, 2019 was \$15,526 (2018: \$0) The increase can be attributed to the purchase of computer and office equipment. The Company does not anticipate any material capital expenditures in 2020.

The Company's cash used in financing for the three months ended December 31, 2019 was \$336,429 (2018: cash provided of \$474,431) The significant decrease can be attributed to the difference in advances received and paid from the parent.

Our ability to continue as a going concern is dependent upon our generating profitable operations in the future and / or obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management believes that actions presently being undertaken to further implement our business plan and generate revenues provide opportunity for the Company to continue as a going concern. While we believe in the viability of our strategy to generate additional revenues and our ability to raise additional funds, there can be no assurances to that effect.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Related Party Transactions

The Company entered into related party transactions with its parent company Nesta Holding Co. Ltd. ("Nesta") The arrangement required the Company to pay a fee of US\$60,000 (\$50,000 in 2018) per quarter for management services rendered. The management fees are accrued and payable upon a significant liquidity event. At December 31, 2019, the Company has accrued \$857,732 (US\$660,000) pursuant to this arrangement. (\$654,816 (US\$480,000) as at December 31, 2018.)

In addition, the Company has unsecured promissory notes ("notes") issued to Nesta. The notes bear interest at prime plus 1% (5.75% (6.5% as at December 31, 2018)). The principal amount and interest are due at, Nesta's discretion, upon the Company's completion of an equity financing for an amount exceeding gross proceeds of \$5,000,000.

As at December 31, 2019, the outstanding balance was \$474,250 (\$498,131 as at December 31, 2018) (US\$365,145 as at the end of each period), with interest payable of \$146,240 (US\$112,596) as at December 31, 2019 (\$121,224 (US\$88,861) at December 31, 2018).

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and current liabilities. Management has disclosed the impact of credit, liquidity, foreign currency, and interest rate risk below and in the audited consolidated financial statements.

Credit risk

Financial instruments that can potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company does not have any financial assets except as disclosed in this MD&A.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising additional equity financing in excess of anticipated cash needs or increasing revenues.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Significant accounting policies and estimates are described in Notes 4 and 5 of the Company's consolidated financial statements as at December 31, 2019 and 2018.

The preparation of consolidated financial statements according to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Significant accounting estimates:

- The valuation of share options issued.

Significant accounting judgments:

- The evaluation of the Company's ability to continue as a going concern.
- The extent to which the deferred tax assets can be recognized and utilized based on the assessment of the probability of the Company's future taxable income.



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 recognised 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 lease 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 recognise 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 their sole lease is for their office space which is on a short-term lease of 12 months.

Covid-19 Impact

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 is prepared to adjust their strategies in order to minimize the impact. However, it is impossible to determine the financial impacts for the moment.