Wikileaf Technologies Inc.

Consolidated Financial Statements
December 31, 2020 and 2019

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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. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, 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 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
April 29, 2021

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

Wikileaf Technologies Inc.
Consolidated Statements of Financial Position
December 31, 2020 and 2019
(In Canadian dollars)

	2020	2019
	$	$
ASSETS		
Current		
Cash	286,248	3,562,858
Trade accounts receivable	17,888	
Prepaid expenses	23,337	120,711
	327,473	3,683,569
Long-term		
Equipment (Note 7)	5,966	38,391
	333,439	3,721,960
LIABILITIES		
Current		
Trade and other payables (Note 8)	224,888	1,160,062
Advances from parent company, without interest (Note 14.4)		1,580,997
Notes payable to parent company (Notes 11.3 and 14.4)		474,250
	224,888	3,215,309
EQUITY		
Share capital (Note 9)	14,982,206	14,770,456
Contributed surplus	4,893,306	1,947,920
Accumulated other comprehensive income	58,437	30,108
Deficit	(19,825,398)	(16,241,833)
	108,551	506,651
	333,439	3,721,960

Going concern (Note 2)

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

On behalf of the Board,

/s/ Connor Cruise
Director

/s/ Murray Hinz
Director

Wikileaf Technologies Inc.
Consolidated Statements of Comprehensive Loss
Years ended December 31, 2020 and 2019
(In Canadian dollars)

	2020	2019
	$	$
Revenue	99,031	2,985
Expenses		
Salaries and benefits	1,753,697	1,903,762
Professional fees	1,055,757	1,980,337
Share-based compensation (Note 10)	158,534	1,364,216
Marketing and entertainment	147,495	196,959
Insurance	146,197	56,050
Management fees with parent company (Note 11.2)	94,934	328,074
Termination fee	87,846	
Dues and subscriptions	70,363	40,386
Rental expense	48,910	113,698
Office supplies	48,819	114,389
Depreciation of equipment (Note 7)	25,631	45,790
Interest on notes payable to related parties (Note 11.3)	17,178	31,494
Listing fee	16,449	13,876
Bank charges	5,362	3,925
Licensing fees	2,968	19,045
Loss on disposition of equipment	2,456	
Transaction costs		2,453,916
Gain on disposal of a subsidiary		(10,820)
	3,682,596	8,655,097
Net loss	(3,583,565)	(8,652,112)
Item that will be reclassified subsequently to profit or loss		
Change in cumulative translation adjustments	28,329	94,509
Net comprehensive loss	(3,555,236)	(8,557,603)
Net loss per share (Note 13)		
Basic and diluted	(0.03)	(0.09)

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

Wikileaf Technologies Inc.
Consolidated Statements of Changes in Equity
Years ended December 31, 2020 and 2019
(In Canadian dollars, except for share capital amounts)

	Common shares		Subscription receipts		Preferred shares		Share capital		Accumulated other		
	Number	Amount	Number	Amount	Number	Amount	Total amount	Contributed surplus	comprehensive income (loss)	Deficit	Total equity (deficiency)
		$		$		$	$	$	$	$	$
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
Debt settlement with parent company (Note 11.1)	5,800,000	203,000					203,000	2,795,602			2,998,602
Exercise of restricted stock units	250,000	8,750					8,750	(8,750)			
Transactions with shareholders	6,050,000	211,750	–	–	–	–	211,750	2,786,852	–	–	2,998,602
	119,765,484	14,982,206	–	–	–	–	14,982,206	4,734,772	30,108	(16,241,833)	3,505,253
Share-based compensation (Note 10)								158,534			158,534
Net loss										(3,583,565)	(3,583,565)
Exchange differences on translating foreign operations									28,329		28,329
Balance as at December 31, 2020	119,765,484	14,982,206	–	–	–	–	14,982,206	4,893,306	58,437	(19,825,398)	108,551
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 issuances of shares		(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 (Note 10)								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

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

Wikileaf Technologies Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019
(In Canadian dollars)

	2020	2019
	$	$
OPERATING ACTIVITIES		
Net loss	(3,583,565)	(8,652,112)
Non-cash items		
Share-based compensation	158,534	1,364,216
Depreciation of equipment	25,631	45,790
Loss on disposition	2,456	
Gain on disposal of a subsidiary		(10,820)
Transaction costs		2,453,916
	(3,396,944)	(4,799,010)
Net change in working capital items	87,603	242,349
Net cash used in operating activities	(3,309,341)	(4,556,661)
INVESTING ACTIVITIES		
Purchase of equipment		(84,328)
Proceeds from disposal of equipment	4,579	
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	4,579	5,932,283
FINANCING ACTIVITIES		
Advances from parent company		2,913,105
Repayment of advances from parent company		(643,897)
Share issue costs		(285,531)
Exercise of stock options		224
Net cash from financing activities	–	1,983,901
Net increase (decrease) in cash	(3,304,762)	3,359,523
Cash, beginning of year	3,562,858	225,037
Exchange difference on cash	28,152	(21,702)
Cash, end of year	286,248	3,562,858

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

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Wikileaf Technologies Inc. (hereafter "the Company") was incorporated under the British Columbia Business Corporations Act on April 3, 2018. The Company's head office is in Federal Way, Washington.

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, 2020 consolidate the accounts of the Company and 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 online 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 parent company is Nesta Holding Co. Ltd.

The Company is listed on the Canadian Securities Exchange (CSE) under the ticker "WIKI".

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, 2020, the Group has an accumulated deficit of $19,825,398 ($16,241,833 as at December 31, 2019). 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. Subsequent to year-end, the Group secured certain financing through the issuance of convertible notes and units (see Note 16). Based on the current level of expenditures and available liquidity, management estimates that the timeline to sustain the operations of the Group is limited to within the next six months of the date of issuance of these consolidated financial statements.

The Group is actively seeking to secure additional funding through equity-based financing, debt-financing or other arrangements; 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.

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 29, 2021.

4. NEW OR REVISED ACCOUNTING STANDARDS

4.1 New standard adopted as at January 1, 2020

Some accounting pronouncements, which have become effective from January 1, 2020, were adopted but do not have a significant impact on the Group's financial results or position.

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 early 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 and under the historical cost convention, using the significant accounting policies and measurement bases that are in effect as at December 31, 2020, as summarized below.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.2 Principles of consolidation

The consolidated financial statements include the accounts of Wikileaf Technologies Inc. and its wholly-owned subsidiaries, One Web 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 subsidiaries and has the ability to affect those returns through its power over the subsidiaries. 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.

5.4 Leased assets

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. The Group does not have any long-term leases.

5.5 Revenue

Revenue arises primarily from advertising agreements.

To determine whether to recognize revenue, the Group follows a five-step process:

(i) Identifying the contract with a customer;
(ii) Identifying the performance obligations;
(iii) Determining the transaction price;
(iv) Allocating the transaction price to the performance obligations;
(v) Recognizing revenue when performance obligations are satisfied.

The vast majority of the Company's customer agreements contain a single performance obligation to provide advertising services on the Group's website over a specific period of time or based upon website traffic.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.5 Revenue (Continued)

Revenue is recognized either at a point in time or over time when (or as) the Group satisfies the performance obligation by transferring the promised service to the customer.

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, 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. Revenue and expenses are translated at monthly average exchange rates over the reporting period. Exchange gains or losses arising from the translation of One Web's financial statements are recognized as accumulated foreign currency translation in the consolidated statements of changes in equity.

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 are 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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments (Continued)

Classification and subsequent measurement of financial assets

The Group's financial assets consist of cash and trade receivables. They are classified at amortized cost since they are 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, they are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect is immaterial.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses arising from financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Group assesses impairment of trade accounts receivable on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables (except vacation accrual and government remittance), advances from parent company and notes payable to parent company 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.8 Income taxes (Continued)

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, 2020 and 2019, 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.
Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(In Canadian dollars)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.11 Share-based compensation

The Group uses equity-settled and cash-settled share-based compensation plans for its employees.

Stock options

Stock options are equity-settled share-based compensation, which are 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.

Restricted Stock Units

The Restricted Stock Units ("RSUs") are equity or cash settled share-based compensation, the ultimate basis of settlement is at the discretion of the Company. RSUs are accounted for as equity-settled share-based compensation due to the stated intent of management and past practices. The RSUs are 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, based upon the fair value of the share price as at the date of the grant.

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;

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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.

(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 a business combination transaction (hereafter "the Transaction") pursuant to an agreement and plan of merger (hereafter "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. (hereafter "Merger Sub"), whereby: (i) Merger Sub merged (herafter "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. (hereafter "the Closing").

Pursuant to the Transaction, holders of common shares and preferred shares (on an as-converted basis) of One Web (hereafter "the 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 (hereafter "the Common Shares" or "Company's 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 assets of the 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 accounts payable	(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			
Balance as at December 31, 2019	64,513	19,470	83,983
Dispositions	(10,755)	(5,778)	(16,533)
Foreign exchange	358	184	542
Balance as at December 31, 2020	54,116	13,876	67,992
Accumulated depreciation			
Balance as at December 31, 2019	(41,948)	(3,644)	(45,592)
Depreciation	(20,993)	(4,638)	(25,631)
Dispositions	9,114	384	9,498
Foreign exchange	(289)	(12)	(301)
Balance as at December 31, 2020	(54,116)	(7,910)	(62,026)
Carrying amount, end of year	–	5,966	5,966

	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

	2020	2019
	$	$
Trade accounts payable	87,140	65,874
Termination benefits payable	87,846	
Government remittance	43,748	
Vacation accrual	6,154	90,216
Management fee payable to parent company (Note 11.2)		857,732
Interest on notes payable to parent company (Note 11.3)		146,240
	224,888	1,160,062

(In Canadian dollars)

9. SHARE CAPITAL

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

	2020	2019
	$	$
Issued and fully paid		
119,765,484 common shares (113,715,484 as at December 31, 2019)	14,982,206	14,770,456

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 year ended December 31, 2020, the Company issued 5,800,000 common shares in relation to the debt settlement with parent company (Note 11.1) and 250,000 shares from the exercise of RSUs (Note 10).

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 purpose 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, 2020, there were 52,839,192 common shares and 4,127,072 options remaining in escrow (80,752,660 and 6,586,186 as at December 31, 2019 respectively).

10. SHARE-BASED COMPENSATION

Stock options

On January 13, 2020, the Company granted to its CEO 1,000,000 stock options, at an exercise price of $0.12 per share and maturing in 10 years from the date of issuance. The stock options vest 25% at their one-year anniversary date and the remaining 75% on December 31, 2021 based upon financial measures of the Company. The fair value of options granted has been estimated at $74,951 using the Black-Scholes option pricing model with the assumptions in the table below. On June 12, 2020, the CEO departed from the Company and, as a result, the options were forfeited.

On January 16, 2020, the Company granted 1,500,000 stock options, at an exercise price of $0.25 per share and maturing in 10 years from the date of issuance. The stock options vest one-third 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 in 2019. The fair value of the newly granted stock options has been estimated at $83,233 and is lower than the incremental fair value of the unvested stock options which were cancelled in 2019. As a result, no additional expense will be accounted for.

On May 11, 2020, the Company granted 710,000 stock options to its employees, at an exercise price of $0.12 per share and maturing in 10 years from the date of issuance. 125,000 of the stock options vest immediately. 210,000 of the stock options vest one-third on the first anniversary date and then in equal monthly tranches over the following three years. The remaining 375,000 stock options vest one-quarter on the one-year anniversary date and then in equal monthly tranches over the following four years. The fair value of options granted in the period has been estimated at $31,249 using the Black-Scholes option pricing model with the assumptions in the table below.

On July 20, 2020, the Company granted 425,000 stock options to its employees, at an exercise price of $0.10 per share and maturing in 10 years from the date of issuance. One-third of the stock options vest in one year from the grant date and the remaining vest over the 36 months thereafter. The fair value of options granted has been estimated at $19,561 using the Black-Scholes option pricing model with the assumptions in the table below.

On November 23, 2020, the Company granted 200,000 stock options to a consultant, at an exercise price of $0.05 per share and maturing in 10 years from the date of issuance. One-tenth of the stock options vest immediately and then an additional one-tenth for nine months starting January 1, 2021. The fair value of options granted has been estimated at $3,956 using the Black-Scholes option pricing model with the assumptions in the table below.

On August 5, 2019, the Company granted 357,637 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 stock options vest in one year from the grant date and the remaining vest over the 36 months thereafter. The fair value of options granted has been estimated at $104,999 using the Black-Scholes option pricing model with the assumptions in the table below.

(In Canadian dollars)

10. SHARE-BASED COMPENSATION (Continued)

Stock options (Continued)

On May 17, 2019 and June 17, 2019, the Company granted 4,037,250 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 vest at a specific date within one year of their issuance and the remaining vest over the 36 months thereafter. The fair value of the options granted has been estimated at $1,179,626 using the Black-Scholes option pricing model with the assumptions in the table below.

On November 1, 2019, the Company granted 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 vest in a year following the date of issuance and the remaining vest in tranches of 1/36th on a monthly basis thereafter. The fair value of the options granted has been estimated at $5,624 using the Black-Scholes option pricing model with the assumptions in the table below. All options were forfeited in 2020 prior to vesting.

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

During the year ended December 31, 2020, 5,447,456 options were forfeited (976,046 for the year ended December 31, 2019).

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 their unvested stock options were expensed, resulting in an additional share-based compensation expense for 2019 of $792,615.

The total fair value of options granted in 2020 has been estimated at $212,950 ($1,290,249 in 2019) using the Black-Scholes option pricing model with the following assumptions:

					2020
Number of stock options granted	200,000	425,000	710,000	1,500,000	1,000,000
Exercise price ($)	0.05	0.10	0.12	0.25	0.12
Expected option life	5 years	5 years	5 years	5 years	5 years
Expected volatility (a)	79.66%	77.55%	79.04%	75.10%	76.70%
Risk-free interest rate	0.69%	0.51%	0.59%	1.55%	1.61%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Fair value of stock options granted ($)	3,956	19,561	31,249	83,233	74,951
Fair value of stock options granted per option ($)	0.02	0.05	0.04	0.06	0.07

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10. SHARE-BASED COMPENSATION (Continued)

Stock options (Continued)

			2019
Number of stock options granted	100,000	357,637	4,037,250
Exercise price ($)	0.25	0.50	0.50
Expected option life	5 years	5 years	5 years
Expected volatility (a)	76.00%	69.30%	70.00%
Risk-free interest rate	1.44%	1.38%	1.69%
Expected dividend yield	Nil	Nil	Nil
Fair value of stock options granted ($)	5,624	104,999	1,179,626
Fair value of stock options granted per option ($)	0.06	0.29	0.29

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

The following tables summarize information related to stock options:

		2020		2019
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$		$	
Balance, beginning of year	0.123	13,960,356	0.091	12,905,270
Deemed issuance			0.150	500,000
Issuance	0.100	3,835,000	0.494	4,494,887
Exercised			0.011	(20,000)
Forfeited	0.138	(5,447,456)	0.277	(976,046)
Cancelled			0.500	(2,943,755)
Balance, end of year	0.126	12,347,900	0.123	13,960,356

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10. SHARE-BASED COMPENSATION (Continued)

Stock options (Continued)

Exercise prices	Options outstanding: Number	Options outstanding: Weighted average contractual life (years)	Number of options exercisable
December 31, 2020			
$0.01	1,569,242	6.89	1,367,339
$0.05	4,416,473	7.13	2,791,562
$0.10	300,000	9.55	
$0.12	175,000	9.36	125,000
$0.15	500,000	7.78	500,000
$0.18	3,502,198	7.81	2,123,211
$0.25	1,500,000	9.04	500,000
$0.50	384,987	8.39	199,834
	12,347,900	7.68	7,606,946
December 31, 2019			
$0.01	3,463,392	7.89	1,904,871
$0.05	4,580,183	8.00	1,832,072
$0.15	500,000	8.78	500,000
$0.18	4,241,871	8.81	1,060,468
$0.25	100,000	9.84	
$0.50	1,074,910	9.39	
	13,960,356	8.37	5,297,411

The weighted average exercise price of options exercisable is $0.11 ($0.07 as at December 31, 2019).

Restricted stock units

On June 30, 2020, the Board of Directors approved the addition of restricted stock units (RSUs) as an available equity-settled award type. The Company's RSU is a right to receive either a cash payment or a number of common shares or a combination of both, equal to the trading price of the Company's common shares on the CSE at the date of the grant, upon completion of time-based vesting conditions. The purpose of a RSU is to tie a portion of the value of the compensation of participants to the future value of the Company's commons shares. Grants of RSUs to employees, directors and officers of the Company are made on a discretionary basis and subject to the Board of Directors' approval.

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10. SHARE-BASED COMPENSATION (Continued)

Restricted stock units (Continued)

July 2020 grant details

On July 6, 2020, the Company granted 1,750,000 RSUs to its directors, expiring in 10 years from the date of issuance. The RSUs vest as follows:

– 1,170,000 RSUs vest in 260,000 RSU tranches on June 7 each year starting in 2021 or upon change of control of the Company;

– 130,000 RSUs vest upon a financing of $500,000 or more or upon a change of control of the Company;

– 450,000 RSUs vest one-third a year following the grant and the remaining vest over the 36 months thereafter.

As at December 31, 2020, management has assessed the probability of a change in control of the Company at 40% and the probability of receiving a $500,000 or more financing at 100%.

The fair value of the Company's share price at the date of grant was $0.08.

The fair value of the RSUs granted has been estimated at $53,940. During the year ended December 31, 2020, the share-based compensation expense was $28,273.

As at December 31, 2020, all of the above RSUs granted remain outstanding and unvested.

November 2020 grant details

On November 23, 2020, the Company granted 250,000 RSUs to two of its directors, vesting immediately on the date of issuance. The fair value of the Company's share price at the date of grant was $0.035. The fair value of the RSUs granted has been estimated at $8,750. The RSUs were exercised immediately into the Company's common shares.

Summary of share-based compensation expense

The following table summarizes share-based compensation expense for the years ended December 31, 2020 and 2019:

	2020	2019
	$	$
Stock options	121,511	1,364,216
RSUs	37,023	
	158,534	1,364,216

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11. RELATED PARTY TRANSACTIONS

11.1 Debt settlement with parent company

On December 10, 2020, the Group came to an agreement with parent company whereby the Group issued 5,800,000 common shares at $0.05 per share in exchange for the settlement of $290,000 of debt owed to parent company. The remaining debt owed to parent company consisted of advances, management fees, notes and interest payable on the notes, all of which were settled by parent company.

The issuance of common shares was done above fair value which was $0.035 as at December 10, 2020. As a result, common shares were issued for $203,000 and the difference of $87,000 was accounted for in contributed surplus.

The settlement of debt owed to parent company resulted in an increase to contributed surplus of $2,795,602 as described below:

	$
Settled debt owed to parent company	
Advances	1,558,020
Management fees payable	815,597
Notes payable	465,329
Interest on notes payable	159,656
	2,998,602
Issuance of common shares	(203,000)
	2,795,602

11.2 Management fees with parent company

The Group entered into a related party transaction with its parent company, which required to pay a fee of US$60,000 (US$60,000 in 2019) per quarter for management services rendered. For the management fees of February 2020, the Group negotiated a reduced fee of CA$13,560 for one month. Then, as of March 1, 2020, the previous arrangement was terminated and a new arrangement was entered into, requiring the Group to pay a fee of CA$5,650 per month for management services rendered. As a result of the debt settlement described in Note 11.1, all management fees payable prior to the month of December 2020 were settled. Subsequent to year-end, the agreement ended in January 2021. As at December 31, 2020, there is no payable ($857,732 (US$660,000) as at December 31, 2019). The amount included in management fee expense for the year ended December 31, 2020 is of $94,934 (US$20,000 and CA$68,760) ($328,074 (US$240,000) for the year ended December 31, 2019).

11.3 Notes payable to parent company

Unsecured promissory notes were issued to parent company, bearing interest at prime rate plus 1%.

As at December 31, 2020, there remains no outstanding balance following the debt settlement referred to in Note 11.1 ($474,250 (US$365,145) as at December 31, 2019).

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11. RELATED PARTY TRANSACTIONS (Continued)

11.3 Notes payable to parent company (Continued)

As at December 31, 2020, there remains no outstanding balance of interest payable following the debt settlement referred to in Note 11.1 ($146,240 (US$112,596) as at December 31, 2019).
In 2020, $17,178 (US$12,686) of interest expense was recognized ($31,494 (US$23,735) in 2019).

11.4 Transactions with key management personnel

Key management of the Group includes all members of the Board of Directors and senior management.

	2020	2019
	$	$
Salaries and benefits	592,296	498,099
Share-based compensation	199,048	973,022
Termination benefits	87,846	
	879,190	1,471,121

12. INCOME TAXES

As at December 31, 2020, the Group has net operating loss carry-forwards of approximately $11,521,000 that may be available to reduce taxable income in future years in various amounts through 2040. 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, 2020:

	$
2036	232,000
2037	2,732,000
2039	1,617,000
2040	2,143,000
	6,724,000
Tax losses carried forward with an indefinite life	4,797,000
	11,521,000

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12. INCOME TAXES (Continued)

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

	2020	2019
	%	%
Combined federal and provincial income tax rate	27.0	27.0
Foreign losses taxed at a lower income tax rate	(2.1)	(2.0)
Deferred tax assets not recognized	(23.4)	(13.0)
Share-based compensation	(1.0)	(3.9)
Transaction costs		(7.7)
Other	(0.4)	(0.4)
	–	–

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, 2020	(3,583,565)	114,075,262	(0.03)
December 31, 2019	(8,652,112)	95,764,721	(0.09)

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 are cash and trade accounts receivable, which are classified at amortized cost.

The main types of risks are credit risk, interest rate risk, liquidity risk and foreign exchange risk.

The Group does not actively engage in the trading of financial assets for speculative purposes.

14.1 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is subject to credit risk due to its cash and trade accounts receivable. The Group limits its exposure to credit risk for cash by placing its cash with high credit quality financial institutions.

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14. FINANCIAL RISKS (Continued)

14.2 Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations as they come due. This relies on the Company's ability to raise additional equity financing in excess of anticipated needs or increasing revenues.

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

The Group's financial liabilities are as follows:

	2020	2019
	$	$
Trade and other payables (a)	174,986	1,069,846
Advances from parent company, without interest (Note 14.4)		1,580,997
Notes payable to parent company		474,250
	174,986	3,125,093

(a) Excluding government remittances and vacation accrual.

All of the Group's financial liabilities are due in the next year.

14.3 Foreign exchange risk analysis

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk is not considered significant as most of the Company's cash is in Canadian dollars; however, some expenses are settled in U.S. dollars. Currency risk results from the Company's expenses denominated in U.S. dollars.

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14. FINANCIAL RISKS (Continued)

14.4 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 parent company	Advances from parent company	Total
	$	$	$
Balance as at December 31, 2018	498,131	509,260	1,007,391
Cash flows			
Proceeds		2,913,105	2,913,105
Repayments		(643,897)	(643,897)
Non-cash			
Subscription receivable (a)	(23,881)	(1,138,050)	(1,161,931)
Foreign exchange		(48,601)	(48,601)
Gain on disposal of a subsidiary		(10,820)	(10,820)
Balance as at December 31, 2019	474,250	1,580,997	2,055,247
Non-cash			
Settlement (Note 11.1)	(465,329)	(1,558,020)	(2,023,349)
Foreign exchange	(8,921)	(22,977)	(31,898)
Balance as at December 31, 2020	–	–	–

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

14.5 Economic dependence

The Company has two main customers and sales to these customers represent 53% and 27% respectively of the Group's revenue.

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, advances from parent company and notes payable to parent company, and equity. A summary of the Group's capital structure is as follows:

	2020	2019
	$	$
Cash	286,248	3,562,858

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15. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (Continued)

	2020	2019
	$	$
Notes payable to parent company		474,250
Advances from parent company, without interest (Note 14.4)		1,580,997
Total equity	108,551	506,651
	108,551	2,561,898

The Group manages its capital structure in accordance with its expected business growth, operational objectives, 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 29, 2021, the Company issued $300,000 of convertible notes, which bear interest at an annual rate of 12%. The convertible notes come to maturity on their one-year anniversary date and are convertible into common shares or, in the event the Group completes an equity financing prior to April 15, 2021, the holder of the notes is obligated to convert their convertible notes and accrued interest thereon into equity instruments on the same terms of the equity financing;

– On February 19, 2021, the Group granted 700,000 stock options to employees and consultants at an exercise price of $0.07 per share;

– On March 5, 2021, the Group announced a private placement whereby it sold 19,000,000 units for gross proceeds of $950,000. Each unit consists of one common share at a price of $0.05 per share and one share purchase warrant exercisable at $0.075 per share for a period of two years from the date of closing.

  In addition to the private placement, the above mentioned $300,000 convertible notes were converted into common shares under the same terms as the private placement for 6,094,681 units;

– On March 31, 2021, the parent company sold a portion of the common shares of the Company to a third party and, as a result, it no longer has control over the Company.