

**ECC VENTURES 2 CORP.**

Condensed Interim Financial Statements  
(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2019 and for the period from  
incorporation on January 15, 2018 to September 30, 2018

**ECC VENTURES 2 CORP.**  
(the “Company”)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2019**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Management of the Company is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) for the preparation of condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**ECC VENTURES 2 CORP.**

## Condensed Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Current Assets:		
Cash	\$ 27,940	\$ 342,473
Promissory note (Note 5)	262,988	-
<b>Total Assets</b>	<b>\$ 290,928</b>	<b>\$ 342,473</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 82,771	\$ 24,630
	82,771	24,630
Shareholders' equity		
Share capital (Note 7)	410,871	410,871
Reserves (Note 7)	57,114	57,114
Deficit	(259,828)	(150,142)
	208,157	317,843
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 290,928</b>	<b>\$ 342,473</b>

Nature and continuance of operations (Note 1)

Proposed Qualifying Transaction (Note 11)

Approved on Behalf of the Board on November 26, 2019:

*"Scott Ackerman"*

Scott Ackerman – CEO/CFO/Director

*"Doug McFaul"*

Doug McFaul - Director

The accompanying notes are an integral part of these condensed interim financial statements

**ECC VENTURES 2 CORP.**

## Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<b>For the three months ended September 30,</b>	For the three months ended September 30,	<b>For the nine months ended September 30,</b>	For the period from incorporation on January 15, 2018 to September 30,
	<b>2019</b>	2018	<b>2019</b>	2018
<b>Expenses</b>				
Administration and bank charges	5	1	45	876
Professional fees	28,377	4,725	96,574	49,099
Rent	3,150	3,150	9,450	5,775
Share-based payments (Note 7)	-	-	-	45,421
Transfer agent and filing fees	2,625	-	16,605	16,464
	<b>(34,157)</b>	(7,876)	<b>(122,674)</b>	(117,635)
<b>Other Income</b>				
Interest income	6,301	-	12,988	-
<b>Loss and comprehensive loss for the period</b>	<b>\$ (27,856)</b>	\$ (7,876)	<b>\$ (109,686)</b>	\$ (117,635)
<b>Weighted average number of common shares outstanding – basic and diluted</b>				
	<b>3,650,000</b>	3,650,000	<b>3,650,000</b>	2,909,884
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	\$ (0.00)	<b>\$ (0.03)</b>	\$ (0.04)

The accompanying notes are an integral part of these condensed interim financial statements.

**ECC VENTURES 2 CORP.**

## Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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	Share Capital				Total Shareholder's Equity \$
	Number	Amount \$	Reserves \$	Deficit \$	
Balance, January 15, 2018 (incorporation)	-	-	-	-	-
Common shares issued for cash (Note 7)	5,650,000	465,000	-	-	465,000
Share issuance costs (Note 7)	-	(54,129)	11,693	-	(42,436)
Share-based payments (Note 7)	-	-	45,421	-	45,421
Loss for the period	-	-	-	(117,635)	(117,635)
<b>Balance, September 30, 2018</b>	<b>5,650,000</b>	<b>410,871</b>	<b>57,114</b>	<b>(117,635)</b>	<b>350,350</b>
<b>Balance, December 31, 2018</b>	<b>5,650,000</b>	<b>410,871</b>	<b>57,114</b>	<b>(150,142)</b>	<b>317,843</b>
<b>Loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109,686)</b>	<b>(109,686)</b>
<b>Balance, September 30, 2019</b>	<b>5,650,000</b>	<b>410,871</b>	<b>57,114</b>	<b>(259,828)</b>	<b>208,157</b>

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The accompanying notes are an integral part of these condensed interim financial statements

**ECC VENTURES 2 CORP.**Condensed Interim Statements of Cash Flows  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	<b>For the nine months ended September 30, 2019</b>	For the period from incorporation on January 15, 2018 to September 30, 2018
Cash flows from operating activities:		
Loss for the period	\$ (109,686)	\$ (117,635)
Items not involving cash:		
Share-based payments	-	45,421
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	58,141	5,250
Interest accrued on promissory note	(12,988)	-
	<b>(64,533)</b>	<b>(66,964)</b>
Cash flows from investing activity:		
Promissory note	(250,000)	-
	<b>(250,000)</b>	-
Cash flows from financing activity:		
Proceeds from common share issuances	-	465,000
Share issuance costs	-	(42,436)
	-	422,564
Increase (decrease) in cash for the period	<b>(314,533)</b>	355,600
Cash, beginning of the period	<b>342,473</b>	-
Cash, end of the period	<b>\$ 27,940</b>	<b>\$ 355,600</b>
Supplementary information with respect to cash flows:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Non-cash transactions:		
Agent options issued	\$ -	\$ 11,693

The accompanying notes are an integral part of these condensed interim financial statements

## **ECC VENTURES 2 CORP.**

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

ECC Ventures 2 Corp. (the “Company” or “ECC2”) was incorporated on January 15, 2018 under the laws of British Columbia and is classified a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “Exchange” of “TSX-V”) Policy 2.4. The head office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3, and the records and registered office is located at 2200 HSBC Building 885 West Georgia Street, British Columbia, V6C 3E8.

Since incorporation on January 15, 2018, the Company has had no active business operations. As a CPC, the Company’s business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (“QT”), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V. The Company incurred a loss of \$122,674 (2018 - \$117,635) and a comprehensive loss of \$109,686 (2018 – \$117,635) for the period ended September 30, 2019. As at September 30, 2019, the Company has an accumulated deficit of \$259,828 (December 31, 2018 - \$150,142) and working capital of \$208,157 (December 31, 2018 - \$317,843). As of September 30, 2019, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company’s debt obligations for the next year and is currently exposed to liquidity risk. The ability of the Company to discharge these liabilities is contingent on the repayment of the outstanding promissory note and/or obtaining further equity financing or alternate sources of financing. The Company’s continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition. All of the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

On September 13, 2019, the Company entered into a definitive share purchase agreement (the “Definitive Agreement”) pursuant to which it will acquire (the “Acquisition”) of all the issued and outstanding membership interests of Long Island Brand Beverages LLC, a New York limited liability company (“LIBB”) that is a wholly-owned subsidiary of Long Blockchain Corp., a US listed company (“Long Blockchain”), and all the issued and outstanding share capital of Long Island Beverages Corp., a private British Columbia corporation (“LIBC” and collectively with LIBB, “Long Island Beverages”). The Acquisition of Long Island Beverages will constitute a reverse takeover and ECC2’s Qualifying Transaction under Policy 2.4 of the Exchange. See Note 5 and 11 for details of this transaction.

## **ECC VENTURES 2 CORP.**

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION**

The condensed interim financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standard Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Accordingly, these condensed interim financial statements do not include all the information required for the full annual financial statements and should be read in conjunction with the most recent audited annual financial statements of the Company as at and for the year ended December 31, 2018 which are available on [www.sedar.com](http://www.sedar.com).

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The condensed interim financial statements of the Company have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for the statements of cash flows. The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company’s most recent audited annual financial statements as at and for the year ended December 31, 2018 which is available at [www.sedar.com](http://www.sedar.com), except for those new, revised and/or amended standards adopted below, and reflect all the adjustments necessary for fair presentation in accordance with IAS 34. There has been no material impact on these condensed interim financial statements from changes in accounting standards during the period.

### **4. ADOPTION OF NEW ACCOUNTING STANDARDS**

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended December 31, 2018, except for the adoption, on January 1, 2019, of IFRS 16, *Leases* (“IFRS 16”), and IFRIC 23, *Uncertainty over Income Tax Treatments* (“IFRIC 23”), which have an initial application as at this date.

#### **IFRS 16**

New standard that replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosures of leases; effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have an impact on its financial statements as the Company currently has no leases.

#### **IFRIC 23**

New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The adoption of this standard did not have an impact on its financial statements.

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### **5. PROMISSORY NOTE**

Pursuant to a non-revolving secured loan facility dated January 31, 2019 as amended on June 15, 2019 and August 30, 2019 (the “Note”), during the period the Company advanced \$250,000 (the “Principal”) to LIBB. In connection with the Note, LIBB granted a security interest in favour of ECC2, and Long Blockchain Corp. (parent company to LIBB) guaranteed the same.

The Note has a maturity date of November 30, 2019, and bears interest at the rate of 10% per annum, calculated and paid starting on the first day of November 2019 and each calendar month thereafter while any portion of the Note remains outstanding. As of September 30, 2019, \$12,988 in interest has been accrued on this Note.

### **6. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company has identified its directors and senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

As of September 30, 2019, \$Nil (September 30, 2018 - \$Nil) was due to related parties. During the period ended September 30, 2019, \$Nil was recorded as compensation costs for key management personnel and companies related to them (2018 - \$Nil), and \$Nil was recorded as share-based payment for key management personnel (2018 - \$45,421).

### **7. SHARE CAPITAL**

#### **(a) Authorized**

Unlimited number of common and preferred shares without par value.

#### **(b) Issued and outstanding**

As at September 30, 2019 the Company had 5,650,000 common shares issued and outstanding.

On January 17, 2018, the Company issued 2,000,000 common shares of the Company at a price of \$0.05 per share for total proceeds of \$100,000. These common shares are held in escrow and

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### **7. SHARE CAPITAL (continued)**

#### **(b) Issued and outstanding (continued)**

will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a QT by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

All of the escrow shares are considered contingently returnable until the Company completes a QT and accordingly, they are not considered to be outstanding shares for the purposes of the loss per share calculations.

On January 18, 2018, the Company issued 1,650,000 common shares of the Company at a price of \$0.10 per share for total proceeds of \$165,000.

On April 18, 2018, the Company completed an IPO of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000. The Company paid a cash commission of \$20,000, \$7,500 in legal fees, a corporate finance fee of \$10,500, had other costs of \$4,436, and granted to the agent options to acquire 200,000 common shares at a price of \$0.10 per common share until April 18, 2020.

#### **(c) Stock options**

On January 22, 2018, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must be deposited in escrow until the final exchange bulletin relating to a QT is issued.

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**7. SHARE CAPITAL (continued)****(c) Stock options (continued)**

In April 2018, the Company granted stock options to directors of the Company to acquire up to an aggregate of 565,000 common shares. Each option vests immediately and is exercisable to acquire one common share at a price of \$0.10 until April 18, 2023. This resulted in share-based payment expense using the Black-Scholes option-pricing model of \$45,421. This amount was also recorded as reserves on the statement of financial position. The weighted average fair value of the stock options granted during the year was \$0.08 per option. The risk-free interest rate was 1.75%, with an expected life of 5 years, and an annualized volatility of 113%. The forfeiture rate and estimated annual dividend yield were both 0%.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 15, 2018	-	\$ -
Granted	565,000	0.10
<b>Balance, December 31, 2018 and September 30, 2019</b>	<b>565,000</b>	<b>\$0.10</b>

As at September 30, 2019, outstanding options were as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
April 18, 2018	565,000	\$0.10	April 18, 2023	3.55
<b>Total</b>	<b>565,000</b>	<b>\$0.10</b>		<b>3.55</b>

**(d) Agent options**

As part of the IPO on April 18, 2018, the Company granted to the agent 200,000 common shares at a price of \$0.10 per common share until April 18, 2020. These options vested immediately. This resulted in share issuance costs using the Black-Scholes option-pricing model of \$11,693. This amount was recorded as part of the share issuance costs and netted against reserves on the statement of financial position. The weighted average fair value of these stock options granted to the agent was \$0.10 per option. The risk-free interest rate was 1.75%, with an expected life of 5 years, and an annualized volatility of 113%. The forfeiture rate and estimated annual dividend yield were both 0%.

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Notes to the Condensed Interim Financial Statements  
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### 7. SHARE CAPITAL (continued)

#### (d) Agent options (continued)

A summary of the Company's agent option activity is as follows:

	Number of Options	Weighted average Exercise Price
<b>Balance, as at January 15, 2018</b>	-	\$ -
Granted	200,000	0.10
<b>Balance, December 31, 2018 and September 30, 2019</b>	<b>200,000</b>	<b>\$0.10</b>

As at September 30, 2019, agent options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
April 18, 2018	200,000	\$0.10	April 18, 2020	0.55
<b>Total</b>	<b>200,000</b>	<b>\$0.10</b>		<b>0.55</b>

### 8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended September 30, 2019, was based on the comprehensive loss attributable to common shareholders of \$109,686 and the weighted average number of common shares outstanding of 3,650,000.

Escrow shares are considered contingently returnable until the Company completes a QT. Accordingly, subsequent to the Company's listing on the TSX-V on April 18, 2018, the 2,000,000 shares held in escrow will not be considered to be outstanding shares for the purposes of the loss per share calculations.

### 9. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

## **ECC VENTURES 2 CORP.**

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **9. MANAGEMENT OF CAPITAL (continued)**

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a QT by the Company as defined under the Exchange Policy 2.4.

### **10. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at September 30, 2019, the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

##### **(iii) Price rate risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

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**10. FINANCIAL INSTRUMENTS (continued)****Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and promissory note. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible. The promissory note (see Note 5) is guaranteed by a third party and management believes that the risk of default on the note is minimal.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2019, the Company's only source of revenue is the accrued interest income on the promissory note. The Company has a cash balance of \$27,940 to settle current liabilities of \$82,771. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year and is currently exposed to liquidity risk. The ability of the Company to discharge these liabilities is contingent on the repayment of the outstanding promissory note and/or obtaining further equity financing or alternate sources of financing.

**Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at September 30, 2019 and December 31, 2018, the Company's financial instruments consist of cash, a promissory note, accounts payable and accrued liabilities. Cash and the promissory note are classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

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Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2019

(Unaudited – Prepared by Management)

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### **11. PROPOSED QUALIFYING TRANSACTION**

On September 13, 2019, the Company entered into the Definitive Agreement pursuant to which it will complete the Acquisition. The Acquisition of Long Island Beverages will constitute a reverse takeover and ECC2's Qualifying Transaction under Policy 2.4 of the Exchange. Assuming completion of the Acquisition, it is anticipated that ECC2 will graduate to Tier 2 of the Exchange as a consumer products issuer.

Pursuant to the terms of the Acquisition, ECC2 will complete a forward share split of its common shares on a 1 for 1.5 basis and the security holders of LIBB and LIBC will be issued an aggregated 15,545,455 post-forward-split common shares of ECC2 and \$500,000 cash, as consideration for the Acquisition. An additional 2,700,000 currently issued post-forward-split common shares of the Company will be transferred within escrow to certain members of the new management team. The Company will also issue 890,000 post-forward-split common shares to certain finders in connection with the Acquisition. Certain of the consideration shares will be subject to escrow pursuant to the policies of the TSX-V, in addition to pooling restrictions that may be negotiated by the parties.

In advance of completion of the Acquisition, the Company advanced \$250,000 to LIBB pursuant to non-revolving secured loan facility. See Note 5.

It is a condition of closing of the Acquisition that the Company complete a private placement transaction (the "Financing"), for minimum gross proceeds of \$2,000,000, at a price of \$0.50 per subscription receipt (the "Subscription Receipts"). The proceeds of the Financing will be held in escrow, pending the Company receiving all applicable regulatory approvals, and completing all matters and conditions relating to the Acquisition, including a 1.5:1 forward-split of the Company's common shares. Upon satisfaction of the escrow conditions, each Subscription Receipt will automatically convert, for no additional consideration, into units of the Company (the "Units") consisting of one post-forward-split common share of the Company (a "Common Share") and one common share purchase warrant (a "Warrant") entitling the holder to acquire one additional Common Share at an exercise price of \$1.00 per Warrant, for a period of 12 months from the date the escrow release conditions are satisfied. On completion of the Financing, the Company may pay a cash commission equal to 7.0% of the gross proceeds of the Financing and issue warrants to purchase such number of Units of the Company as is equal to 7.0% of the number of Subscription Receipts sold under the Financing. The warrants will be exercisable at an exercise price of \$0.50 per warrant for a period of 12 months from the date the escrow release conditions are satisfied.

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**11. PROPOSED QUALIFYING TRANSACTION (continued)**

Completion of the Acquisition and Financing are subject to a number of conditions, including forward split of the Company's existing share capital on a 1.5 to 1 basis and, Exchange acceptance. The Acquisition cannot close until the required approvals are obtained.