

# **FILING STATEMENT**

**DATED AUGUST 28, 2020**

**FOR**

**TRUSTED BRAND 2016 INC.  
(the "Company")**

**and**

**1421526 ALBERTA LTD.  
("1421526 LTD.")**

**Regarding the Company's proposed acquisition of 1421526 Alberta Ltd. pursuant to the TSX Venture Exchange's Policy 2.4 – *Capital Pool Companies*.**

*Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

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## GLOSSARY OF TERMS

*In this Filing Statement, the following terms shall have the meaning ascribed thereto as set out below:*

"**991799 Ltd.**" means 991799 Alberta Ltd., a corporation incorporated under the *Business Corporations Act* (Alberta), which is wholly owned by Edward Chong.

"**1421526 Ltd.**" means 1421526 Alberta Ltd., a corporation incorporated under the *Business Corporations Act* (Alberta).

"**1421526 Property**" has the meaning ascribed thereto under the heading "*Summary of Filing Statement - The Acquisition*".

"**1421526 Shareholders**" means Lui Holdings Corporation and 991799 Alberta Ltd., holding 90% and 10% of the 1421526 Shares respectively.

"**1421526 Shares**" or "**Class "A" Common**" or means all issued and outstanding shares in the capital of 1421526 Ltd., being 100 class "A" Voting Non-Redeemable participating shares.

"**Acquisition**" means the proposed acquisition whereby the Company will acquire all of the 1421526 Shareholders' right, title, equity and interest in and to the Shareholder Interest for a total purchase price equal to the aggregate of the fair market value of the Shareholder Interest, being \$11,328,422.71, upon the terms and subject to the conditions set for in the Share Purchase Agreement, which will constitute the Company's Qualifying Transaction in accordance with the CPC Policy.

"**Affiliate**" means a company that is affiliated with another company as follows:

- (a) a company is an "Affiliate" of another company if:
  - (i) one of them is the subsidiary of the other; or
  - (ii) each of them is controlled by the same Person.
- (b) company is "controlled" by a Person if:
  - (i) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and
  - (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.
- (c) a Person beneficially owns securities that are beneficially owned by:
  - (i) a company controlled by that Person; or
  - (ii) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**Associate**" when used to indicate a relationship with an individual or company, means:

- (a) an issuer of which the individual or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the individual or company;

- (c) any trust or estate in which an individual or company has a substantial beneficial interest or in respect of which an individual or company serves as trustee or in a similar capacity;
- (d) in the case of an individual, a relative of that individual, including:
  - (i) that individual's spouse or child; or
  - (ii) any relative of the individual or of his spouse who has the same residence as that individual;

but

- (e) where the Exchange determines that two individuals shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"**Closing**" means the completion of the Acquisition.

"**Closing Date**" means the date on which the Closing occurs.

"**Commissions**" means the British Columbia Securities Commission and the Alberta Securities Commission.

"**Company**" or "**Trusted Brand**" means Trusted Brand 2016 Inc., a company incorporated under the *Business Corporations Act* (Alberta).

"**Company Options**" means incentive stock options granted pursuant to the Option Plan, each of which entitles the holder thereof to acquire one Company Share.

"**Company Shares**" means the fully paid and non-assessable common shares in the capital of the Company.

"**Completion of the Proposed Qualifying Transaction**" means the date that the Final Exchange Bulletin is issued by the Exchange.

"**Control Person**" means any Person that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not affect materially the control of the issuer.

"**CPC**" means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the Commissions in compliance with the CPC Policy; and
- (b) in regard to which the Completion of the Proposed Qualifying Transaction has not yet occurred.

"**CPC Escrow Agreement**" means an escrow agreement dated effective May 3, 2016 among the Company, the Trustee and certain shareholders of the Company, in the form of Exchange Form 2F – *CPC Escrow Agreement*.

"**CPC Policy**" means Policy 2.4 of the Exchange Corporate Finance Manual entitled "*Capital Pool Companies*".

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange.

"**Exchange Requirements**" means and includes the articles, by-laws, policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions,

decisions and directions of the Exchange (including those of any committee of the Exchange as appointed from time to time), and all applicable provisions of the securities laws of any other jurisdiction.

"**Filing Statement**" means this filing statement of the Company dated August 28, 2020.

"**Final Exchange Bulletin**" means the Exchange bulletin that is issued following Closing of the Proposed Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Proposed Qualifying Transaction.

"**Initial Public Offering**" has the meaning ascribed thereto under the heading "*Information Concerning the Company - General Development of the Business - History*".

"**Insider**" if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

"**IPO Prospectus**" has the meaning ascribed thereto under the heading "*Information Concerning the Company - General Development of the Business - History*".

"**Lui Holdings**" means Lui Holdings Corporation, a corporation incorporated under the *Business Corporations Act* (Alberta), which is wholly owned by a family trust of Ben Lui, the sole director of 1421526 Ltd.

"**Member**" means a Person who has executed the Members' Agreement, as amended from time to time, and is accepted as and becomes a member of the Exchange under the Exchange Requirements.

"**Name Change**" means the change of name of Trusted Brand to "Yorkton Equity Group Inc." (or such other name as directed in writing by 1421526 Ltd. in its discretion) concurrently with the closing of the Acquisition.

"**Named Executive Officers**" means the Chief Executive Officer, Chief Financial Officer, and other executive officers of 1421526 Ltd. or the Resulting Issuer, as applicable, and its subsidiaries listed in the Summary Compensation Table herein. See "*Information Concerning 1421526 Ltd. – Executive Compensation*."

"**Non-Arm's Length Party**" means in relation to a company, a promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

"**Non-Arm's Length Qualifying Transaction**" means a transaction where the same party or parties or their respective Associates or Affiliates control the CPC and the Significant Assets which are to be the subject of the transaction.

"**Option Plan**" means the incentive stock option plan adopted by the Company, which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange Requirements, grant to directors, officers, employees, and technical consultants to the Company, non-transferable options to purchase Company Shares up to a maximum of 4,192,580 Common Shares, being 20% of the issued and outstanding Company Shares following Completion of the Proposed Qualifying Transaction.

"**Person**" means a company, partnership, or an individual.

**"Preferred Shares"** means preferred shares in the capital of the Company.

**"Principal"** means a person who, upon Completion of the Proposed Qualifying Transaction, will be:

- (a) a promoter of the Resulting Issuer;
- (b) a director or senior officer of the Resulting Issuer or of a material operating subsidiary of the Resulting Issuer;
- (c) a Person or company that beneficially owns, directly or indirectly, has control or direction over, or has a combination of direct or indirect beneficial ownership of and control or direction over, securities of the Resulting Issuer carrying more than 20% of the voting rights attached to all of the outstanding voting securities of the Resulting Issuer;
- (d) a Person or company that beneficially owns, directly or indirectly, has control or direction over, or has a combination of direct or indirect beneficial ownership of and control or direction over, securities of the Resulting Issuer carrying more than 10% of the voting rights attached to all of the outstanding voting securities of the Resulting Issuer, and:
  - (i) has appointed or elected, or has the right to appoint or elect, a director or senior officer of the Resulting Issuer; or
  - (ii) one or more directors or senior officers of the Resulting Issuer is also a director or officer of, or beneficially owns, directly or indirectly or has control or direction over, or has a combination of direct or indirect beneficial ownership of and control or direction over, securities of that Person or company carrying more than 10% of the voting rights attached to all of the outstanding voting securities of that Person or company; or
- (e) a company 20% or more of the voting rights attached to all of the outstanding voting securities of which are beneficially owned, directly or indirectly, by any one of the Persons or companies referred to in clauses (a) through (d), or over which one or more of the Persons or companies referred to in clauses (a) through (d) has or have control or direction (or a combination of beneficial ownership and control or direction); or
- (f) an Associate of a Person or company referred to in clauses (a) through (e).

**"Private Placement"** has the meaning ascribed thereto under the heading "*Information Concerning the Resulting Issuer - The Acquisition*".

**"Proposed Qualifying Transaction"** means the Acquisition by the Company of all of the 1421526 Shareholders' right, title, equity and interest in and to the Shareholder Interest.

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

**"Resulting Issuer"** means the Company at the time of and following Completion of the Proposed Qualifying Transaction, as the context requires, under its new name 'Yorkton Equity Group Inc.'.

**"Resulting Issuer Options"** means the Company Options, after giving effect to the Closing of the Proposed Qualifying Transaction and the implementation of the Name Change.

**"Resulting Issuer Common Shares"** means the Company Shares, after giving effect to the Closing of the Proposed Qualifying Transaction and the implementation of the Name Change.

**“Resulting Issuer Option Plan”** has the meaning ascribed thereto under the heading *“Information Concerning the Resulting Issuer - Stock Option Plan”*.

**“Resulting Issuer Warrant”** means the Warrants, after giving effect to the Closing of the Proposed Qualifying Transaction and the implementation of the Name Change.

**"Share Purchase Agreement"** means a section 85 share purchase agreement dated June 19, 2020 among the Company, 1421526 Alberta, Lui Holdings and 991799 Ltd. with respect to the Acquisition.

**"Shareholder Interest"** means the 1421526 Shares and the Shareholder Loans.

**"Shareholder Loans"** means a shareholder loan with each of Lui Holdings and 991799 Ltd. in the amount of \$3,457,206.68 and \$498,635.00 respectively.

**"Significant Assets"** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the Exchange.

**"Trustee"** means Computershare Trust Company of Canada.

**“Units”** has the meaning ascribed thereto under the heading *“Information Concerning the Resulting Issuer - The Acquisition”*.

**"Value Security Escrow Agreement"** means an agreement to be entered into concurrent with the Completion of the Proposed Qualifying Transaction between the Resulting Issuer and certain Insiders of the Resulting Issuer, which shall be in the form of Exchange Form 5D – *Escrow Agreement (Value Security Escrow)*.

**“Warrants”** has the meaning ascribed thereto under the heading *“Information Concerning the Resulting Issuer - The Acquisition”*.

Certain additional terms are defined within the body of this Filing Statement and in such cases will have the meanings ascribed thereto.

## TRUSTED BRAND 2016 INC.

### SUMMARY OF FILING STATEMENT

*The following is a summary of information relating to the Company, 1421526 Alberta Ltd. and the Resulting Issuer (assuming Completion of the Proposed Qualifying Transaction), and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.*

#### **The Acquisition**

The parties to the Acquisition are the Company, the 1421526 Shareholders and 1421526 Ltd. The Company is a capital pool company within the meaning of the CPC Policy, which is listed on the TSXV. 1421526 Ltd. is a private Alberta company incorporated pursuant to the *Business Corporations Act* (Alberta) on August 25, 2008. 1421526 Ltd. is the owner of a two storey retail and commercial building located at 9700 – 105 Avenue NW, Edmonton, Alberta referred to as the Pacific Rim Mall situated on a 26,400 square foot land base and a 34,845 square foot gravel parking lot along 98th Street and 105th Avenue in Edmonton, Alberta which is zoned for future development and referred to as the Pacific Rim Mall (the “**1421526 Property**”).

To give effect to the Acquisition, the Company, 1421526 Ltd. and the 1421526 Shareholders entered into the Share Purchase Agreement pursuant to which the Company has agreed to purchase all of the 1421526 Shareholders’ right, title, equity and interest in and to the Shareholder Interest for a total purchase price equal to the aggregate of the fair market value of the Shareholder Interest for the following consideration:

- The issuance of 36,862,905 Resulting Issuer Common Shares with a fair market value of \$0.20 per Resulting Issuer Common Share for consideration of \$7,372,581.03; and
- The assumption of 1421526’s commitment pursuant to the Shareholder Loans, being the shareholder loans with each of 991799 Ltd. and Lui Holdings in the amount of \$498,635.00 and \$3,457,206.68, respectively. The Shareholder Loans in the aggregate amount of \$3,955,841.68 will be converted into a total of 19,779,208 Resulting Issuer Common Shares with 17,801,287 and 1,977,921 being issued to Lui Holdings and 991799 Ltd. respectively.

As at April 30, 2020, 1421526 Ltd. has, and will continue to have upon Completion of the Proposed Qualifying Transaction, a bank loan in the form of a first mortgage registered on the 1421526 Property from Canada Western Bank in the aggregate amount of \$2,571,730.92.

For more detailed information regarding the Acquisition, please see “*Information Concerning the Resulting Issuer - The Acquisition*”.

#### **Not a Non-Arm's Length Qualifying Transaction**

The Acquisition is not a Non-Arm's Length Qualifying Transaction.

#### **Interests of Insiders, Promoters or Control Persons of the Company**

Except as otherwise stated herein, none of the Insiders, promoters or Control Persons of the Company or any of their respective Associates and Affiliates (before and after giving effect to the Acquisition) have any interest in the Acquisition.

#### **Estimated Available Funds and Proposed Principal Uses Thereof**

Management of the Company anticipates that the Company will have available to it as at July 31, 2020, after giving effect to the Acquisition and the Private Placement, approximately \$1,248,008. The principal purposes of those funds will be to fund the recommended work program and for general working capital purposes. See “*Part VI – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*”.

## Pro Forma Consolidated Financial Information

The following table sets forth the pro forma share capital of the Resulting Issuer as at March 31, 2020, on a consolidated basis, after giving effect to the Private Placement and the Proposed Qualifying Transaction based on the Pro Forma Financial Statements attached to this Filing Statement as Appendix "E".

	The Company as at March 31, 2020	1421526 Ltd. as at March 31, 2020	Resulting Issuer as at March 31, 2020 after (giving effect to the Private Placement and the Proposed Qualifying Transaction)
Current Assets	\$174,455	\$139,167	\$1,313,622
Total Assets	\$174,455	\$14,289,222	\$15,463,677
Current Liabilities	\$4,022	\$2,842,155	\$2,846,177
Long-term Liabilities	\$0	\$2,258,969	\$2,258,969
Share Capital	\$557,986	\$100	\$6,541,102
Retained Earnings (Deficit)	(\$506,110)	\$5,232,156	\$3,817,429

For further details, see the Pro Forma Financial Statements of the Resulting Issuer that are attached as Appendix "E" to this Filing Statement.

## Company's Listing on the Exchange

The Company Shares were listed and posted for trading on the Exchange on November 30, 2016 under the trading symbol "HAH.P" and the Resulting Issuer Common Shares will continue to be listed on the Exchange subsequent to the Acquisition. No public market exists for the 1421526 Shares.

## Market Price of Company Shares

On December 10, 2018, trading of Company Shares was suspended due to the Company's failure to complete a Qualifying Transaction within twenty-four (24) months of listing in accordance with the CPC Policy and Exchange Requirements. The last closing price of the Company Shares on the Exchange prior to the suspension was \$0.40. It is expected that such trading suspension will remain in place until the completion of the Acquisition.

## Sponsorship and Agent Relationship

No Sponsor has been retained in connection with the Acquisition as the Exchange has granted the Company a waiver from sponsorship requirements. See "*General Matters – Sponsorship and Agent Relationship*".

## Interests of Experts

As at the date hereof, partners and associates of MNP LLP, the Company's current auditors, who were directly involved in services provided to the Company own, respectively, directly or indirectly, in the aggregate, none of the securities of either the Company or 1421526 Ltd. No partner or associate of MNP LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

As at the date hereof, partners and associates of RSM Alberta LLP, the current auditors of 1421526 Ltd., who are directly involved in services provided to 1421526 Ltd. or the Company own, respectively, directly or indirectly, in the

aggregate, none of the securities of either the Company or 1421526 Ltd.. No partner or associate of RSM Alberta LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

At the date hereof, lawyers with DLA Piper (Canada) LLP, counsel to the Company, own, directly or indirectly, in the aggregate, none of the securities of either the Company or 1421526 Ltd. No lawyer with DLA Piper (Canada) LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

At the date hereof, lawyers with Parlee McLaws LLP, counsel to 1421526 Ltd., own, directly or indirectly, in the aggregate, none of the securities of either 1421526 Ltd. or the Company. No lawyer with Parlee McLaws LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

### **Conditional Listing Approval**

The Exchange has conditionally accepted the Acquisition, subject to the Company fulfilling all of the requirements of the Exchange on or prior to listing.

### **Conflicts of Interest**

Certain of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon completion of the Acquisition are also directors, officers and/or promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the *Business Corporations Act* (Alberta) to act at all times in good faith in the interests of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. To the best of their respective knowledge, neither the Company nor 1421526 Ltd. is aware of the existence of any conflicts of interest between the Company or 1421526 Ltd. and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon completion of the Acquisition, as of the date of this Filing Statement.

### **Risk Factors**

An investment in the Resulting Issuer is speculative due to the proposed nature of the Resulting Issuer's business and the very early stage of 1421526 Ltd.'s business development. An investment in the Resulting Issuer will be subject to certain material risks and investors should not invest in securities of the Resulting Issuer unless they can afford to lose their entire investment.

In addition to the factors disclosed elsewhere in this Filing Statement, investors should consider the following risk factors in assessing the investment merits of such securities:

- (a) **Business Risk:** The Resulting Issuer's proposed business is dependent on numerous factors that are specific to its business, including but not limited to, risks pertaining to permits and licensing and intellectual property infringement. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or reduction of demand particularly affect property investments. Economic performance, the value of real estate assets and, therefore, the value of shareholders' investments are subject to the risks normally associated with the ownership and operation of real estate properties, including but not limited to: downturns and trends in the local economic conditions; the cyclical nature of the real estate industry; local conditions such as an oversupply of office properties, including space available by sublease, or a reduction in demand for high rise and other office properties; changes in interest rates and the availability of financing; competition from other properties; changes in market rental rates and our ability to rent space on favorable terms; the bankruptcy, insolvency, credit deterioration or other default of tenants; the need to periodically renovate, repair and re-lease space and the costs thereof; increases in maintenance, insurance and

operating costs; civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; the attractiveness of our properties to tenants; and certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges that must be made regardless of whether or not a property is producing sufficient income to service these expenses.

- (b) **Interest Rate Financing Risk and Refinancing Risk:** Indebtedness in the future may be incurred that bears interest at a variable rate or properties may be required to be refinanced at higher rates. Accordingly, increases in interest rates above that which has been anticipated based upon historical trends could adversely affect the Resulting Issuer's cash flows. To mitigate the fluctuation in interest rates, management can attempt to lock in cash returns on assets for the longest period consistent with exposure to debt maturing and leases expiring in any given year. The current debt market is improving for long-term mortgage financing and interest rate spreads are returning to historic norms.
- (c) **Credit Risk:** Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Global market and economic conditions over the past few years have been unprecedented and challenging with tighter credit conditions and slower growth. Continued concerns about the systemic impact of inflation, the availability and cost of credit, the declining real estate market, energy cost, geopolitical issues and increased market uncertainty have contributed to increased market volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital and credit markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect the business, financial condition and results of operations.

As a result of these market conditions, the cost and availability of credit have been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce and, in some cases, cease to provide funding to businesses and consumers. There can be no assurance that the markets will stabilize in the near future.

- (d) **Tenant Defaults, Bankruptcies or Insolvencies:** A tenant may experience a downturn in its business, which could cause the loss of that tenant or weaken its financial condition and result in the tenant's inability to make rental payments when due. If a tenant defaults, there may be a delay in receipt of payment and possibly an incurrence of additional costs through court proceedings. In such a case, a claim against a tenant for unpaid, future rent may be less than the remaining rent owed under the lease. In any event, it is unlikely that a bankrupt tenant will pay the full amount it owes under a lease. The loss of rental payments from tenants and costs of re-leasing could adversely affect the cash flows and results of operations.
- (e) **COVID-19:** The COVID-19 pandemic has, and likely will continue to, adversely affect the business of 1421526 Ltd., its financial condition and results of operations. In March 2020, the World Health Organization characterized a novel strain of the coronavirus, known as COVID-19, as a pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impact have created substantial disruption and uncertainty in the global economy. The COVID-19 pandemic and related containment measures have already caused a global economic downturn and it is likely that the current outbreak and continued spread of COVID-19 will cause a global recession. We are unable to predict the extent and duration of any such downturn or recession or the ultimate impact of the pandemic on the business of 1421526 Ltd. and the Resulting Issuer due to various uncertainties, such as the duration and severity of the outbreak, actions that may be taken by governmental authorities, businesses and individuals in response to the pandemic, and the effect on our customers. While COVID-19 and related containment measures had limited impact on 1421526 Ltd.'s business as at the date hereof, the impact of the pandemic on its business and the

business of the Resulting Issuer in the future could be material. While 1421526 Ltd. has implemented measures and plans designed to mitigate the effects of the COVID-19 pandemic, these efforts may prove to be inadequate.

The business of 1421526 Ltd. depends and the business of the Resulting Issuer will depend on the financial health and strength of its customers, which in turn is primarily dependent on the general economy in Alberta, and secondarily on the general economy in Canada. Cost-cutting, reduced spending or reduced activity by its customers could adversely affect 1421526 Ltd.'s and the Resulting Issuer's financial results by reducing its revenues.

For a complete discussion of the risks associated with the Resulting Issuer and the Acquisition, see "*Information Concerning the Resulting Issuer – Risk Factors*".

### **Forward Looking Statements**

This Filing Statement contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, 1421526 Ltd. or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (A) the intention to complete the Acquisition; (B) the description of the Resulting Issuer that assumes completion of the Acquisition; and (C) the intention to grow the business and operations of the Resulting Issuer and 1421526 Ltd. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Filing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company and the Resulting Issuer to obtain necessary financing, the impacts of Covid-19, the ability of the parties to the Share Purchase Agreement to satisfy the conditions of closing thereunder, the ability of the Company and 1421526 Ltd. to satisfy the requirements of the Exchange with respect to the Acquisition, the economy generally, consumer interest in the services and products of the Resulting Issuer and 1421526 Ltd., competition, and anticipated and unanticipated costs. Such statements could also be materially affected by the impact of government regulation, taxation policies, competition, the lack of available and qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. Actual results, performance or achievement could differ materially from those expressed herein. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as required by applicable securities laws. These forward-looking statements should not be relied upon as representing the Issuer's views as of any date subsequent to the date of this Filing Statement. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company, the Resulting Issuer or 1421526 Ltd. Accordingly, readers should not place undue reliance on forward-looking statements.

## INFORMATION CONCERNING THE COMPANY

### 1. Corporate Structure

#### 1.1 Name and Incorporation

The full corporate name of the Company is "Trusted Brand 2016 Inc." The Company was incorporated under the laws of Alberta pursuant to the *Business Corporations Act* (Alberta) on March 4, 2016. The principal office of the Company is located at Suite 200, 805 – 1<sup>st</sup> Street SW, Calgary, Alberta, T2P 1B8 and its registered office is located at 1000, 250 – 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1.

### 2. General Development of the Business

#### 2.1 History

The Company is a capital pool company created pursuant to the CPC Policy which completed its initial public offering (“**Initial Public Offering**”) on November 30, 2016 pursuant to an amended and restated prospectus dated September 9, 2016 (the “**IPO Prospectus**”). The Company sold an aggregate of 2,282,900 Company Shares at a price of \$0.25 per Company Share pursuant to its IPO Prospectus, raising gross proceeds of \$570,725. The Company Shares became listed and posted for trading on the Exchange on November 30, 2016. The outstanding Company Shares are listed on the Exchange under the Trading Symbol "HAH.P".

On January 30, 2017 the Company Shares were halted for trading on the Exchange the request of the Company in connection with an earlier proposed Qualifying Transaction and did not resume trading. Effective December 10, 2018, the Exchange suspended trading in the Company Shares because the Company did not meet the deadline to complete its Qualifying Transaction. Accordingly, on March 11, 2019, the Company held a shareholder’s meeting to obtain the requisite shareholder approvals to: (i) transfer its listing to the NEX trading board of the Exchange, if required; and (ii) cancel 1,680,000 seed shares (as defined in Exchange Policy 1.1) of the Company held by the current directors and officers of the Company.

The principal business of the Company is to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction, and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. Until the Company completes a Qualifying Transaction, it will not carry on business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. The Acquisition is intended to be the Company's Qualifying Transaction.

On February 15, 2017, the Company announced that it had entered into a letter of intent for an arm's length acquisition of all of the issued and outstanding shares of 1367790 Alberta Ltd. and 2186774 Ontario Inc. (together, the “**Holmes Services Companies**”), which was intended to constitute the Company’s Qualifying Transaction pursuant to Policy 2.4.

On December 20, 2017, the Company announced that the letter of intent with the Holmes Services Companies had been terminated. As a result of the termination, the Company received a termination fee of \$25,000 from Holmes Services Companies.

On February 20, 2018, the Company announced that it had entered into a letter of intent for an arm's length acquisition with a private company, which was intended to constitute the Company’s Qualifying Transaction pursuant to Policy 2.4. On April 30, 2018, the Company announced that the letter of intent had been terminated due to the expiry of the letter of intent for the proposed transaction.

On May 30, 2018, the Company announced that it had entered into a non-binding letter of intent for an arm's length acquisition with TheraCann International Benchmark Corporation, a Panama based company in the business of developing and implementing proprietary solutions for production, quality and traceability in regulated cannabis operations (“**TheraCann**”), which was intended to constitute the Company’s Qualifying Transaction pursuant to Policy 2.4.

On May 31, 2019, the Company entered into a definitive agreement (“**TheraCann Business Combination Agreement**”) with TheraCann pursuant to which Theracann’s wholly-owned subsidiary, 2172014 Alberta Ltd., would amalgamate with the Company to continue as a newly formed amalgamated entity and wholly owned subsidiary of TheraCann.

On September 19, 2019, the Company announced that the TheraCann Business Combination Agreement was terminated.

On June 19, 2020, the Company announced that it had entered into the Share Purchase Agreement with 1421526 Ltd., Lui Holdings and 991799 Ltd. The transaction is an arm's length transaction and will constitute the Company's Qualifying Transaction.

### **3. Selected Consolidated Financial Information and Management’s Discussion and Analysis**

#### **3.1 Information from Inception**

Since incorporation, the Company has incurred costs in carrying out its Initial Public Offering, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer listed for trading on the Exchange. The following table sets forth selected historical financial information for the Company for the years ended December 31, 2017, December 31, 2018 and December 31, 2019 and for the periods ended March 31, 2020. Such information should be read in conjunction with such financial statements.

	<b>Total Expenses (\$)</b>	<b>Amounts Deferred in connection with the Acquisition</b>
Year ended December 31, 2019	123,325	Nil
Year ended December 31, 2018	49,768	Nil
Year ended December 31, 2017	126,543	Nil
Period ended March 31, 2020	29,471	Nil

#### **3.2 Management's Discussion and Analysis**

Management’s Discussion and Analysis of the Company in respect of its financial year ended December 31, 2019, December 31, 2018 and December 31, 2017 is attached as Appendix "B" hereto and available on SEDAR, and should be read in conjunction with the Company’s financial statements and notes thereto for the year ended December 31, 2019, December 31, 2018 and December 31, 2017 which are attached hereto as Appendix "A" and are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Unless otherwise stated, financial results are being reported in accordance with IFRS.

### **4. Description of the Securities**

The authorized capital of the Company consists of an unlimited number of Company Shares without nominal or par value and an unlimited number of Preferred Shares, which are issuable in series. As of the date of this Filing Statement, 3,962,900 Company Shares are issued and outstanding as fully paid and non-assessable shares and 396,290 Company Shares had been reserved for issuance pursuant to the exercise of Company Options that have been granted to current Insiders of the Company.

The holders of the Company Shares are entitled to receive notice of and attend any meeting of the Company's shareholders and are entitled to cast one vote for each Company Share held. The holders of the Company Shares are entitled to receive dividends, if, as and when declared by the board of directors of the Company and to receive a proportionate share, on a per share basis, of the assets of the Company available for distribution in the event of a liquidation, dissolution or winding-up of the Company.

## 5. Stock Option Plan

The Company has adopted the Option Plan, which provides that the board of directors of the Company may, from time to time, in its discretion and in accordance with the Exchange Requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase Company Shares, provided that the number of Company Shares reserved for issuance will not exceed 4,192,580 Company Shares, being 20% of the outstanding Company Shares following completion of the Qualifying Transaction. Such Company Options will be exercisable for a period of up to ten (10) years from the date of grant. The number of Common Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Company Shares and the number of Company Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Company Shares. The Option Plan provides that options may be exercised the greater of 12 months after the completion of the Qualifying Transaction (as such term is defined in Policy 2.4 of the TSX Venture) and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to the expiry date of such option. Further, the Option Plan provides that any Company Shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

295,090 Company Options were granted to the Company's directors and officers at the time of completion of the Initial Public Offering in accordance with Exchange Requirements, as set forth below. On February 2, 2018, the Company allocated an additional 101,200 Company Options at an exercise price of \$0.40 to Kevin Saskiw upon his appointment as Chief Financial Officer of the Company, which options have not yet been granted. The exercise price for the Company Options must be paid in full upon exercise of the Company Options. All Company Shares acquired by Non-Arm's Length Parties pursuant to the exercise of Company Options prior to the completion of the Acquisition must be deposited in escrow and may only be released in accordance with the escrow provisions of the CPC Policy.

	<b>Number of Company Shares Under Option</b>	<b>Exercise Price Per Company Share <sup>(2)</sup></b>	<b>Expiry Date <sup>(2)</sup></b>
Ted Geier	65,090	\$0.25	November 30, 2026
Karen Stewart	138,000	\$0.25	November 30, 2026
Kevin Saskiw	0 <sup>(1)</sup>	N/A	N/A
Robert Libin	46,000	\$0.25	November 30, 2026
Perla Woo	46,000	\$0.25	November 30, 2026
<b>Total</b>	<b>295,090</b>		

### Notes:

- (1) Mr. Saskiw has 101,200 Company Options to acquire 101,200 Company Shares approved by the Board for allocation to Mr. Saskiw but not granted as at the date hereof. It is anticipated that these options will be granted prior to completion of the Acquisition.
- (2) Pending approval by the Exchange, the Company Options will be re-priced to an exercise price of \$0.20 and shall be exercisable for a period of 12 months following completion of the Acquisition.

## 6. Prior Sales

Since the date of incorporation, 3,962,900 Company Shares have been issued as follows:

<b>Date</b>	<b>Number of Company Shares</b>	<b>Issue Price Per Company Share</b>	<b>Aggregate Issue Price</b>	<b>Nature of Consideration Received</b>
November 30, 2016	2,282,900	\$0.25	\$570,725	Cash
March 4, 2016	1,680,000 <sup>(1)</sup>	\$0.125	\$210,000	Cash

**Note:**

(1) All of these shares are subject to escrow. See "*Information Concerning the Resulting Issuer – Escrowed Securities*".

**7. Stock Exchange Price**

The outstanding Company Shares are listed on the Exchange under the trading symbol "HAH.P". The Company Shares were listed for trading on the Exchange on November 30, 2016. On January 30, 2017 the Company Shares were halted for trading on the Exchange the request of the Company in connection with an earlier proposed Qualifying Transaction and did not resume trading. Effective December 10, 2018, the Exchange suspended trading in the Company Shares due to the Company's failure to complete a Qualifying Transaction within twenty-four (24) months of listing in accordance with the CPC Policy and Exchange Requirements. The following table sets forth the high and low sales prices and trading volumes of board lots of Company Shares as reported by the Exchange from November 30, 2016 to December 31, 2016 and during January 2017.

	<u>High (Cdn\$)</u>	<u>Low (Cdn\$)</u>	<u>Volume (Shares)</u>
<b>2016</b>			
November <sup>(1)</sup> – December	0.28	0.25	159,550
<b>2017</b>			
January <sup>(2)</sup>	0.40	0.25	129,050

**Notes:**

(1) Trading on the Exchange commenced on November 30, 2016.

(2) On January 30, 2017, the Company Shares were halted at the request of the Company and there was no resumption of trading. Trading was suspended by the Exchange effective December 10, 2018 due to the Company's failure to complete a Qualifying Transaction within twenty-four (24) months of listing in accordance with the CPC Policy and Exchange Requirements. It is expected that such trading suspension will remain in place until Completion of the Proposed Qualifying Transaction.

**8. Arm's Length Transaction**

The proposed Acquisition is not a Non-Arm's Length Qualifying Transaction.

**9. Legal Proceedings**

The Company has not been, and is not presently involved in, any legal proceedings material to it and insofar as it is aware, no such proceedings are contemplated.

**10. Auditor, Transfer Agent and Registrar**

*10.1 Auditor*

The Company's current auditors are MNP LLP, whose principal office is located at Suite 1500, 640 - 5<sup>th</sup>, Avenue SW, Calgary, Alberta, T2P 3G4.

*10.2 Transfer Agent and Registrar*

The Company's current transfer agent and registrar is Computershare Trust Company of Canada through its principal office located at Suite 600, 530 - 8th Avenue SW, Calgary, Alberta, T2P 3S8.

**11. Material Contracts**

The Company has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than:

1. An Agency Agreement dated June 13, 2016, between the Company and Emerging Equities Inc. in connection with the Company's Initial Public Offering;
2. An Escrow Agreement dated May 3, 2016, among the Company, Computershare Trust Company of Canada and the holders of seed shares;
3. A Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated May 3, 2016 between the Company and Computershare Trust Company of Canada;
4. The Option Plan of the Company; and
5. The Share Purchase Agreement dated June 19, 2020, among the Company, 1421526 Ltd. and 1421526 Shareholders in connection with the proposed Qualifying Transaction.

Copies of these material contracts will be available for inspection without charge at the registered office of DLA Piper (Canada) LLP, Suite 1000, Livingston Place West, 250 - 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1 during ordinary business hours from the date hereof until the Closing of the Acquisition and for a period of 30 days thereafter

## **INFORMATION CONCERNING 1421526 LTD.**

### **1. Corporate Structure**

#### ***1.1 Name and Incorporation***

1421526 Ltd. is a private company that was incorporated as "1421526 Alberta Ltd." under the *Business Corporations Act* (Alberta) on August 25, 2008. The head office of 1421526 Ltd. is located at 3165 Manulife Place, 10180 – 101 Street, Edmonton, Alberta, T5J 3S4 and its registered office is located at 9322 Jasper Avenue NW, Edmonton, Alberta, T5H 3T5.

#### ***1.2 Intercorporate Relationships***

1421526 Ltd. has no corporate subsidiaries.

### **2. General Development of the Business**

#### ***2.1 History***

1421526 Ltd. is the owner of the 1421526 Property, being a two storey retail/commercial building referred to as Pacific Rim Mall situated on a 26,400 square foot land base, and a 34,845 square foot gravel parking lot located at the North East corner of 98th Street and 105 Avenue.

#### ***2.2 Significant Acquisitions and Dispositions***

1421526 Ltd. has not conducted any significant acquisitions or dispositions.

### **3. Narrative Description of the Business**

#### ***3.1 General***

##### ***3.1.1 Principal Products and Services***

1421526 Ltd. primarily deals in commercial retail and office spaces rental.

##### ***3.1.2 Operations***

1421526 Ltd. has engaged a non-arm's length property management company Lui International Group Inc., o/a Yorkton Management to manage the 1421526 Property. Yorkton Management has extensive property

management experience in commercial and residential properties, and has been managing the entire operation of the subject property for more than 10 years, including but not limited to, handling leasing enquiries, negotiating on new leases and renewals, rent collection, preparing annual operating budgets, managing capital upgrades, repairs and maintenance to ensure property complies or exceeds all health and safety standards and building codes, negotiating mortgage renewals and arranging refinancing.

To date, the impact of COVID-19 may cause changes to consumer trends and to the overall general economic outlook. COVID-19 has caused 1421526 Ltd. to improve the sanitation standards and implement procedures on use of proper personal protective equipment to prevent the spread of the disease.

COVID-19 may impact 1421526 Ltd. as follows:

1. the future operating cash flows in terms of potential bad debts and increased expenses;
2. the availability of cash through the current credit facilities; and
3. the availability of other financing.

A few of the tenants of 1421526 Ltd. have requested some relief from rent obligations, which is being dealt with on a case by case basis. Recently, the Canadian government has implemented the CECRA (Canada Emergency Commercial Rent Assistance for small businesses) that provides relief for small businesses experiencing financial hardship due to COVID 19 through CMHC. The program will allow qualified tenants to pay only 25% of the normal rent while the Canadian government will subsidize 50%. Fortunately, 1421526 Ltd. will have limited exposure to such small business tenants.

After COVID-19, there may be a number of properties on the market at substantially reduced valuation. 1421526 Ltd. continues to evaluate new opportunities to expand its portfolio, through new projects and through potential expansions in support of its current tenant base.

1421526 Ltd. has no employees and all services are provided through management contracts.

### *3.1.3 Market*

1421526 Ltd.'s market consists of commercial and retail tenants in various markets, including restaurants in different cuisines, banking and financing, travel agency, accounting and law offices, educational tutorial, health food store, personal health such as hair salon, beauty esthetic spa, massage, acupuncture clinics and general retail.

The label of "China Town" often has an element of tourist appeal. Many of the more popular urban centers in in Canada and around the world have "China Towns" as both an actual functioning community as well as a tourist attraction. For instance, Toronto, Montreal, Calgary, Vancouver, London, New York, San Francisco and Lima-Peru all have significant "China Towns". 1421526 Ltd.'s Pacific Rim Mall has the largest banquet restaurant in Edmonton and HSBC as the anchor bank tenant, caters to the ethnic Chinese community as well as all others. These two businesses draw traffic of different nationalities from all over Northern Alberta given that Edmonton is a gateway city to the north. There are numerous events hosted by Pacific Rim Mall and by the banquet restaurant in celebration of many Chinese and other ethnic festivals which then increases the footfall for the mall.

Online shopping and of late video conferencing are playing a big role in changing the retail and service landscape. The retail tenants in Pacific Rim Mall comprise of less than 10% of the whole and the service tenants such as travel agency, massage therapist, accounting and hair salon comprise of approximately another 10% of the total rent roll. Presently, 1421526 Ltd. plans to upgrade the internet facilities (speed and bandwidth) within Pacific Rim Mall as well as educating and coaching the tenants to succeed with the changing IT trends with respect to their customers' needs.

There are no market controls and regulations that will affect 1421526 Ltd.'s marketing efforts at this time. Prior to December 2013, there was a height restriction due to the presence of the Edmonton Municipal Airport (YXD). However, since the closure of the Edmonton Municipal Airport, the height restriction has been amended thereby permitting 1421526 Ltd. the opportunity to explore the enhancement of the design of the Twin Towers in the future.

#### *3.1.4 Marketing Plans and Strategies*

Licensed commercial realtors are engaged to lease any vacant space as needed. To maintain its competitiveness position, major capital upgrade and renovation have been completed in the last 5 years, namely replacement of all roof top HVAC units, surveillance security system, and elevator, renovated the interior of the mall, a façade renovation is being completed in 2020.

1421526 Ltd. strives to maintain a well diversified tenant profile, and upkeep the property with high level of cleanliness and hygiene, safety and security standards.

For 1421526 Ltd. to be successful, it must cultivate successful and reliable tenants. Furthermore, 1421526 Ltd. has to demonstrate the value for tenants moving their business to the mall with the main thrust being:

1. Reasonably high traffic;
2. Easy and convenient parking; and
3. Relatively low common area costs.

Strategy-wise, 1421526 Ltd.:

1. offers competitive tenant improvement allowance and free rent fixturing periods to qualify new tenants, based on the tenant's business requirements, term of lease and its covenants;
2. engages local licensed commercial leasing agents and realtors;
3. promotes the president, Ben Lui, to sit on the board of directors of the local business association and in turn to promote the mall, the tenants' businesses and to foster solid and positive community relations; and
4. encourages the broader staff from the Yorkton group of companies to volunteer in the neighbouring communities and elsewhere.

#### *3.1.5 Competitive Conditions*

1421526 Ltd. is competing with strip malls and independent property owners in the area with lower operating costs. The advantage that 1421526 Ltd. has is ample parking and comfortable indoor shopping during winter.

Potential competitors of 1421526 Ltd. are as follows:

- MBA Building (97 Street and 107 Avenue) – a commercial 2 storey building with a Korean restaurant with fewer than 100 seats.
- Lucky 97 strip mall – (97 Street and 107 Avenue) – an Asian supermarket with various minor retail shops which has very limited and congested parking.
- Emperor's Palace strip mall (100 Street and 107 Avenue) – a Chinese restaurant with less seating capacity than the one in Pacific Rim Mall.

1421526 Ltd. is not aware of any previously experienced threats to the Pacific Rim Mall or its tenants in terms of a reduction of the level of business activity from any of the above-mentioned potential competitors. Management views the Pacific Rim Mall to be unique and therefore they do not believe that there are any available comparisons with other shopping mall competitors.

Potential sources of significant new competition is adjacent developments south of the property. Early discussion has been made with senior management of the adjacent landowner to build a pedway connecting between the properties, both have expressed interest to pursue when the time of development comes.

### 3.1.6 Future Developments

The parking lot along 98 Street has been approved by the City of Edmonton for a new additional shopping mall and two high rise towers for a total of 296 residential condominiums on top of the new mall. This future development will have underground parking and above grade parking connecting to the existing mall. Early discussion has been made with senior management of the adjacent landowner to build a pedway connecting between the future development of Station Land and our development, both parties have expressed interest to pursue when the time of development comes.

For a complete discussion of the risks affecting 1421526 Ltd., see "*Information Concerning the Resulting Issuer – Risk Factors.*"

## 4. Selected Consolidated Financial Information and Management's Discussion and Analysis

### 4.1 Audited Information

The fiscal year end of 1421526 Ltd. is December 31 in each year. Consolidated audited financial statements have been prepared for the period from December 31, 2017 to December 31, 2019 and are included in Appendix "C". The following table summarizes the financial results of 1421526 Ltd. for the period from December 31, 2017 to December 31, 2019.

	<u>Period from December 31, 2017 to December 31, 2019</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Rental Income	\$538,336	\$512,587	\$461,899
Income from operations	\$1,291	\$2,437	\$47,884
Income and comprehensive income	\$208,229	\$176,282	\$27,348
Total assets	\$14,205,697	\$14,186,884	\$14,066,213
Total long-term liabilities	\$2,258,969	\$2,495,150	\$2,422,867
Cash dividends declared	\$0	\$0	\$0

### 4.2 Quarterly Information

The quarterly information for 1421526 Ltd. for the three-months period ended March 31, 2020 is attached hereto as Appendix "C".

### 4.3 *Management's Discussion and Analysis*

The Management Discussion and Analysis ("MD&A") prepared as of May 23, 2020 should be read in conjunction with the December 31, 2019 and December 31, 2018 audited consolidated financial statements and related notes of 1421526 Ltd, which are attached hereto in Appendix "D".

## 5. **Description of the Securities**

1421526 Ltd. is authorized to issue an unlimited number of the following securities: (i) the 1421526 Shares; (ii) Class B voting non-redeemable participating shares; (iii) Class C voting non-redeemable participating shares; (iv) Class D voting non-redeemable participating shares; (v) Class E voting preferred non-participating shares; (vi) Class F voting preferred non-participating shares; (vii) Class G voting preferred non-participating shares; (viii) Class H voting preferred non-participating shares; (ix) Class I non-voting participating shares; ; (x) Class J non-voting participating shares; (xi) Class K non-voting participating shares (xii) Class L non-voting participating shares; (xiii) Class M non-voting participating shares; (xiv) Class N non-voting preferred non-participating shares; (xv) Class O non-voting preferred non-participating shares; (xvi) Class P non-voting preferred redeemable shares; (xvii) Class Q-voting preferred redeemable shares; (xviii) Class "R" voting preferred non-participating shares; and (xix) Class "S" non-voting, participating, preferred shares.

As at the date of this Filing Statement, one hundred (100) fully paid 1421526 Shares are issued and outstanding and no shares in any of the other authorized classes of shares. The 1421526 Shares are not posted for trading on any stock exchange.

The holders of the 1421526 Shares are entitled to receive notice of and attend any meeting of 1421526 Ltd.'s shareholders, other than meetings of holders of another class of shares and are entitled to cast one vote for each 1421526 Share held. Any non-voting preferred shares shall have the right to vote in respect of any matter involving a change to the rights, conditions or limitations attaching to the preferred shares.

#### (a) *1421526 Shares*

An unlimited number of Class "A" voting non-redeemable participating shares without a nominal or par value which may be issued at a price or consideration as may be determined by the directors at time of issuance. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

#### (b) *1421526 Class "B" Voting Non-Redeemable Participating Shares*

An unlimited number of Class "B" voting non-redeemable participating shares without a nominal or par value which may be issued at a price or consideration as may be determined by the directors at time of issuance. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

#### (c) *1421526 Class "C" Voting Non-Redeemable Participating Shares*

An unlimited number of Class "C" voting non-redeemable participating shares without a nominal or par value which may be issued at a price or consideration as may be determined by the directors at time of issuance. This class of shares may be issued by one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

#### (d) *1421526 Class "D" Voting Non-Redeemable Participating Shares*

An unlimited number of Class "D" voting non-redeemable participating shares without a nominal or par value which may be issued at a price or consideration as may be determined by the directors at time of issuance. This class of

shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(e) *1421526 Class "E" Voting Preferred Non-Participating Shares*

An unlimited number of Class "E" voting preferred non-participating shares of no par value with specified restrictions on transfer which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(f) *1421526 Class "F" Voting Preferred Non-Participating Shares*

An unlimited number of Class "F" voting preferred non-participating shares of no par value with specified restrictions on transfer which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(g) *1421526 Class "G" Voting Preferred Non-Participating Shares*

An unlimited number of Class "G" voting preferred non-participating shares of no par value with specified restrictions on transfer which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(h) *1421526 Class "H" Voting Preferred Non-Participating Shares*

An unlimited number of Class "H" voting preferred non-participating shares of no par value with specified restrictions on transfer which shall be issued at a price or consideration on transfer which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(i) *1421526 Class "I" Voting Preferred Non-Participating Shares*

An unlimited number of Class "I" non-voting participating shares of no par value which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(j) *1421526 Class "J" Non-Voting Participating Shares*

An unlimited number of Class "J" non-voting participating shares of no par value which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights,

privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(k) *1421526 Class "K" Non-Voting Participating Shares*

An unlimited number of Class "K" non-voting participating shares of no par value which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(l) *1421526 Class "L" Non-Voting Participating Shares*

An unlimited number of Class "L" non-voting participating shares of no par value which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(m) *1421526 Class "M" Non-Voting Participating Shares*

An unlimited number of Class "M" non-voting participating shares of no par value which shall be issued at a price or consideration as may be determined by the directors upon issuance, and shall be redeemable at the option of the corporation or the holder at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(n) *1421526 Class "N" Non-Voting Preferred Non-Participating Shares*

An unlimited number of Class "N" non-voting preferred non-participating shares without nominal or par value which shall be issued at a price or consideration as may be determined by the Directors at time of issuance, and redeemable at the option of the corporation only, and shall be redeemable at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(o) *1421526 Class "O" Non-Voting Preferred Non-Participating Shares*

An unlimited number of Class "O" non-voting preferred non-participating shares without nominal or par value which shall be issued at a price or consideration as may be determined by the Directors at time of issuance, and redeemable at the option of the corporation only at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(p) *1421526 Class "P" Non-Voting Preferred Redeemable Shares*

An unlimited number of Class "P" non-voting preferred redeemable shares without nominal or par value with a value or consideration to be determined by the directors at the time of issuance which shall be redeemable at the option of the holder or the corporation at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares in each series, subject to the limitations set out in the articles of 1421526 Ltd.

(q) *1421526 Class "Q" Voting Preferred Redeemable Non-Participating Shares*

An unlimited number of Class "Q" voting preferred redeemable non-participating shares without nominal or par value with a redemption amount which shall be determined and fixed at the time of issuance by a majority of the directors at the time of issuance.

(r) *1421526 Class "R" Voting Preferred Non-Participating Shares*

An unlimited number of Class "R" voting preferred non-participating shares without nominal or par value which value for these shares shall be determined by the directors at the time of issuance. These shares will be redeemable at the option of the holder at a price equal to the amount paid per share, and subject to the provisions of the *Business Corporations Act* (Alberta). The holder shall have the right to force the purchase of the shares. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

(s) *1421526 Class "S" Non-Voting, Participating, Preferred Shares*

An unlimited number of Class "S" non-voting, participating, preferred shares without nominal or par value which may be issued at a price or consideration to be determined by the directors at date of issuance and shall be redeemed at the option of the holder or the corporation at a price equal to the amount paid per share. This class of shares may be issued in one or more series and the directors may fix the number of shares in each series and may determine the rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles of 1421526 Ltd.

## 6. Consolidated Capitalization

The following table sets forth consolidated capitalization of 1421526 Ltd. as at the date of this Filing Statement.

<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Amount outstanding as at December 31, 2019 (prior to giving effect to the Proposed Qualifying Transaction) (unaudited)</u>	<u>Amount outstanding as at the date of this Filing Statement (prior to giving effect to the Proposed Qualifying Transaction) (unaudited)</u>
1421526 Shares	Unlimited	100	100

Note:

(1) The retained earnings as at March 31, 2020 is \$5,232,156 (December 31, 2019 is \$5,206,760).

## 7. Prior Sales

Since its incorporation, 1421526 Ltd. has sold the following securities:

<b>Date</b>	<b>Type of Transaction</b>	<b>Class of Securities</b>	<b>Number of Securities</b>	<b>Price Per Security</b>	<b>Gross Proceeds</b>
August 25, 2008	Issuance upon incorporation	Class "A" Common	100	\$0.01	\$1.00
February 25, 2010	Transfer	Class "A" Common	100	\$0.01	\$1.00
March 1, 2019	Transfer	Class "A" Common	90	\$0.01	\$0.90

## 8. Stock Exchange Price

There is no public market for any securities of 1421526 Ltd.

## 9. Principal Shareholders

To the knowledge of the directors and executive officers of 1421526 Ltd., the following persons beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the 1421526 Shares on a non-diluted basis as of the date of this Filing Statement.

Name and Municipality of Residence	Number of 1421526 Shares	Percentage of 1421526 Shares
Lui Holdings Corporation Edmonton, Alberta Canada	90	90%

## 10. Executive Compensation

### 10.1 Summary Compensation Table

The following table sets forth information concerning the total compensation paid to the Chief Executive Officer and Secretary-Treasurer and the Chief Financial Officer of 1421526 Ltd. for the 2020 fiscal year and for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 (the "Named Executive Officers"). 1421526 Ltd. has no other paid executive officers or employees.

Table of Compensation excluding Compensation Securities							
Name and Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total Compensation (\$)
Ben Lui <i>Chief Executive Officer, President and Secretary Treasurer</i>	2020	50,000 <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil
	2019	380,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil
	2018	340,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil
	2017	240,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil
Evan Chan <sup>(3)</sup> <i>Chief Financial Officer</i>	2020	30,000 <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Management fees were paid to Lui Holdings, a company of which Ben Lui is indirectly the majority shareholder.
- (2) This is the proposed compensation for the Resulting Issuer on a pro forma basis annually.
- (3) Evan Chan commenced his position as Chief Financial Officer in March, 2020.

### 10.2 Long-Term Incentive Plans

1421526 Ltd. has no long-term incentive plans.

### 10.3 Option Grants

There were no individual grants of options to purchase or acquire securities of 1421526 Ltd. or any of its subsidiaries by any Named Executive Officers during the period ended December 31, 2018 or December 31, 2019.

### 10.4 Termination of Employment, Change in Responsibilities and Employment Contracts

There are no employment contracts between 1421526 Ltd. and any Named Executive Officer and there are no compensatory plans, contracts or arrangements with any Named Executive Officer in the event of resignation, retirement or any other termination of employment of such Named Executive Officer

## **10.5 Management Contracts**

There are no written agreements for the performance of management functions by persons other than the directors or officers of 1421526 Ltd.

## **11. Non-Arm's Length Party Transactions**

Since incorporation, 1421526 Ltd. has not completed any acquisitions of assets or services or provisions of assets or services from (i) any director, officer or promoter of the company, (ii) a principal securityholder of 1421526 Ltd., either before or after giving effect to the Acquisition; or (iii) an Associate or Affiliate of any Person described in (i) or (ii) other than as follows:

1. Property Management Contract with Lui International Group Inc. operating as Yorkton Management with respect to property repairs, collecting rent, accounting, bookkeeping for common area maintenance, annual budgeting and leasing. Ben Lui, the sole director and officer of 1421526 Ltd. is a Non-Arm's Length Party of Lui International Group Inc. of which he is indirectly the majority shareholder and a director. Under the management contract, Yorkton Management will collect rent, engage in the proper running of the building, advise and negotiate leases with the management of 1421526 Ltd. and ensure the upkeep of the mall for quiet enjoyment of the 1421526 Property.

## **12. Legal Proceedings**

1421526 Ltd. has not been and nor is it presently involved in any legal proceedings material to it and no such proceedings are, to the best of its knowledge, contemplated.

## **13. Material Contracts**

1421526 Ltd. has not entered into any material contracts outside of the ordinary course of business prior to the date hereof, other than:

1. Property Management Contract with Lui International Group Inc. operating as Yorkton Management; and
2. The Share Purchase Agreement.

Copies of these material contracts will be available for inspection without charge at the registered office of the Resulting Issuer at Suite 1700, 10175 – 101 Street NW, Edmonton, Alberta T5J 0H3 during ordinary business hours from the date hereof until the Closing of the Acquisition and for a period of 30 days thereafter.

## **INFORMATION CONCERNING THE RESULTING ISSUER**

### **1. The Acquisition**

On June 19, 2020, the Company entered into the Share Purchase Agreement with 1421526 Ltd. pursuant to which the parties agreed to complete the Proposed Qualifying Transaction on the terms set out therein. Pursuant to the Share Purchase Agreement, upon Closing of the Proposed Qualifying Transaction, the Company will acquire all of 1421526 Shareholders' right, title, equity and interest in and to the Shareholder Interest for a total purchase price equal to the aggregate of the fair market value of the Shareholder Interest for the following consideration:

- The issuance of 36,862,905 Resulting Issuer Common Shares with a fair market value of \$0.20 per Resulting Issuer Common Share for consideration of \$7,372,581.03; and
- The assumption of 1421526's commitment pursuant to the Shareholder Loans, being the shareholder loans with each of 991799 Ltd. and Lui Holdings in the amount of \$498,635.00 and \$3,457,206.68, respectively. The Shareholder Loans in the aggregate amount of \$3,955,841.68 will be converted into a total of 19,779,208

Resulting Issuer Common Shares with 17,801,287 and 1,977,921 being issued to Lui Holdings and 991799 Ltd. respectively.

As at April 30, 2020, 1421526 Ltd. has, and will continue to have upon Completion of the Proposed Qualifying Transaction, a bank loan in the form of a first mortgage registered on the 1421526 Property from Canada Western Bank in the aggregate amount of \$2,571,730.92.

At or prior to the closing of the Acquisition, there shall be a private placement (the “**Private Placement**”) of up to 5,000,000 units (“**Units**”) of the Company, at an offering price of \$0.20 per Unit, for gross proceeds of up to \$1,000,000. Each Unit shall be comprised of one (1) Company Share and one (1) Company Share purchase warrant (“**Warrant**”). Each Warrant entitles the holder to purchase one (1) additional Company Share at a price of \$0.30 per Company Share for a period of three (3) years following the date of closing (the “**Term**”). In the event the Company Shares close at a price of equal to or greater than \$0.50 per Company Share for a period of greater than twenty (20) consecutive trading days, then the Term of the Warrants shall be automatically accelerated and shortened from three (3) years to thirty (30) calendar days following the date a press release is issued by the Company announcing the reduced Term, and the issuance of the press release shall be deemed sufficient notice to all Warrant holders of the shortened Term as a result of the acceleration. The proceeds from the Private Placement will be used for general working capital.

There are currently one hundred (100) 1421526 Shares issued and outstanding. As there are currently a total of 3,962,900 Company Shares issued and outstanding and 396,290 Company Shares reserved for issuance pursuant to the exercise of Company Options, after giving effect to the Acquisition there will be a total of 3,962,900 Resulting Issuer Common Shares and 396,290 Resulting Issuer Options held by former holders of Company Shares and Company Options. The aggregate consideration to be paid by the Company pursuant to the Acquisition will, subject to the approval of the Exchange, consist of the issuance of 56,642,113 Resulting Issuer Common Shares. Upon Closing of the Proposed Qualifying Transaction (after giving effect to the Acquisition and the Private Placement), there will be 65,605,013 Resulting Issuer Common Shares and 4,452,580 Resulting Issuer Options issued and outstanding.

The consideration payable for the 1421526 Shares was determined in arm's length negotiations between the Company and 1421526 Ltd. based on certain factors such as: (i) the expertise of the management of 1421526 Ltd.; and (ii) the anticipated future profits of 1421526 Ltd. The Share Purchase Agreement was presented and approved by the shareholders of 1421526 Ltd. on June 19, 2020.

The 1421526 Shareholders will be advised about the filing of this Filing Statement and encouraged to review a copy via the Company's corporate profile at [www.sedar.com](http://www.sedar.com). In addition to usual conditions in respect of due diligence and corporate authority, the closing of the Share Purchase Agreement is conditional on all of the current directors and officers of the Company being replaced by the proposed directors and officers of the Resulting Issuer. See "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for a complete list of the proposed directors and officers.

The Share Purchase Agreement sets forth certain conditions to the Closing of the Proposed Qualifying Transaction, including:

- (a) the closing of the Private Placement;
- (b) all necessary shareholder and Board approvals and requisite approval of the Exchange and all other regulatory authorities and third parties to the Proposed Qualifying Transaction; and
- (c) no adverse material change shall have occurred in the business, affairs, financial condition assets or operations of the Company or 1421526 Ltd. prior to Closing of the Proposed Qualifying Transaction.

The Proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction.

## **2. Corporate Structure**

### **2.1 Name and Incorporation**

Following the Closing of the Proposed Qualifying Transaction, the Resulting Issuer (being the continuing corporate entity that is the Company) will continue to exist under the *Business Corporations Act* (Alberta). The Resulting Issuer intends to manage 1421526 Ltd.'s assets and continue to operate 1421526 Ltd.'s business. Upon Closing of the Proposed Qualifying Transaction, the Resulting Issuer will file articles of amendment for the purposes of changing the name of the Resulting Issuer to "Yorkton Equity Group Inc."

It is expected that the head and registered office of the Resulting Issuer will be re-located following the Completion of the Proposed Qualifying Transaction, with the head office being changed to 3165, 10180 – 101 Street, Edmonton, T5J 3S4 Alberta and the registered office being changed to Suite 1700, 10175 – 101 Street NW, Edmonton, Alberta T5J 0H3.

### **2.2 Intercorporate Relationships**

Following Closing of the Proposed Qualifying Transaction, the Resulting Issuer will hold 100% of the issued and outstanding shares of 1421526 Ltd., which will be a wholly-owned subsidiary of the Resulting Issuer governed by the *Business Corporations Act* (Alberta). See "*Information Concerning 1421526 Ltd. – Corporate Structure – Intercorporate Relationships*".

## **3. Narrative Description of the Business**

### **3.1 The Business**

Following Completion of the Proposed Qualifying Transaction, the Resulting Issuer will carry on the business of 1421526 Ltd. except as otherwise indicated. See "*Information Concerning 1421526 Ltd. – Narrative Description of the Business*".

### **3.2 Stated Business Objectives**

The Resulting Issuer will continue to focus on 1421526 Ltd.'s business. In particular, the Resulting Issuer's immediate short-term objectives will be to the existing operation, repair, general maintenance and management of the 1421526 Property including a \$500,000 facade renovation. The Resulting Issuer intends to continue with the renovations to the 1421526 Property which were started during the last three years with the replacement of the heating and air condition systems. The renovation to the facade is nearly half complete and is expected to be fully completed during the summer of 2020. In addition to the continued operation of the 1421526 Property, the Resulting Issuer will focus on strategically acquiring additional real estate properties.

The primary objective for the immediate future going out 18 months is to ensure the Resulting Issuer remains profitable and generating positive revenue and that all tenants are paying rent and thriving. The next priority is to continue to scope out opportunities for acquisitions within the real estate sector subject to the then economic conditions. As of the date of this Filing Statement, no acquisitions have been identified at this time. The Resulting Issuer will look to acquiring additional commercial properties which are accretive to its balance sheet. The Resulting Issuer will also review accessing the capital market for fund raising purposes during this period. In the meantime, during the Covid-19 pandemic, the Resulting Issuer will review, assure and adopt best practices to enhance the safety of the property for all tenants, workers, visitors and invitees to the mall.

The timeframe for achieving the business objectives of the Resulting Issuer will be dependent upon opportunities available to the Resulting Issuer to acquire and finance the acquisition of additional properties.

#### 4. Description of the Securities

The securities of the Resulting Issuer are as set out under “*Information Concerning the Company – Description of the Securities*” which will not change following closing of the Transaction.

#### 5. Pro Forma Consolidated Capitalization

##### 5.1 Pro Forma Consolidated Capitalization

The following table sets forth the pro forma share and loan capital of the Resulting Issuer as at March 31, 2020 on a consolidated basis, based on the Pro Forma Financial Statements contained in this Filing Statement at Appendix “E”, after giving effect to the Private Placement, the Completion of the Proposed Qualifying Transaction and all matters ancillary thereto.

<b>Designation of Security</b>	<b>Amount authorized or to be authorized</b>	<b>Amount outstanding after giving effect to the Proposed Qualifying Transaction and Private Placement (# and \$)</b>
Resulting Issuer Common Shares <sup>(1)</sup>	Unlimited	65,605,013/[\$13,121,002.60]
Resulting Issuer Options	-	4,452,580/[\$890,516]
Resulting Issuer Warrants	-	5,000,000/[\$1,500,000]
Long-Term Liabilities	NIL	\$2,258,969
Retained Earnings (Deficit)	(506,110)	\$3,817,429

**Note:**

(1) 19,779,208 of the Resulting Issuer Common Shares are issued in settlement of the Shareholder Loans as per the Share Purchase Agreement.

##### 5.2 Fully Diluted Share Capital

The following table summarizes the securities of the Company currently issued and outstanding and the securities of the Resulting Issuer to be issued and outstanding following completion of the Private Placement, the Proposed Qualifying Transaction and all matters ancillary thereto.

	Number of Securities	Percentage of Total Number of Resulting Issuer Common Shares to be Issued and Outstanding Following Completion of the Proposed Qualifying Transaction and Private Placement on a Fully Diluted Basis
Resulting Issuer Common Shares held by current shareholders of the Company	3,962,900	5.28%
Resulting Issuer Common Shares issued to holders of 1421526 Shares	56,642,113	75.47%
Resulting Issuer Common Shares issued under Private Placement	5,000,000	6.66%
<b>Total Resulting Issuer Common Shares</b>	<b>65,605,013</b>	<b>87.41%</b>
Resulting Issuer Common Shares issuable upon exercise of Resulting Issuer Options	<b>4,452,580</b>	5.93%
Resulting Issue Common Shares issuable on exercise of Resulting Issuer Warrants	<b>5,000,000</b>	6.66%
<b>Total Resulting Issuer Common Shares (fully diluted)</b>	<b>75,057,593</b>	<b>100%</b>

## 6. Available Funds and Principal Purposes

### 6.1 Funds Available

The following table sets forth the estimated minimum working capital (total current assets less total current liabilities) plus the amounts and sources of other funds available to the Company and 1421526 Ltd., including proceeds received from the Private Placement, prior to, or concurrently with, the Completion of the Proposed Qualifying Transaction, after giving effect to the Proposed Qualifying Transaction.

Funds Available	Amount (\$)
Pro Forma Working Capital as at July 30, 2020	486,266
Expected revenues for 18 months	1,610,676
Net proceeds from \$1,000,000 concurrent financing	1,000,000
<b>Total Available Funds</b>	<b>3,096,942</b>

While management currently intends to use the available funds as set forth in this Filing Statement, the Resulting Issuer may reallocate the available funds for sound business reasons.

### 6.2 Dividends

There are no restrictions in the Company's articles or elsewhere which could prevent the Resulting Issuer from paying dividends subsequent to the Completion of the Proposed Qualifying Transaction. The Company does not contemplate paying any dividends on any shares of the Company in the immediate future subsequent to the Completion of the Proposed Qualifying Transaction, as it anticipates investing all available funds to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at

the relevant time. All of the Resulting Issuer Common Shares will be entitled to an equal share in any dividends declared and paid on a per share basis.

### 6.3 *Principal Purpose of Funds*

The following table sets out the estimated available funds as at Closing, after giving effect to the Proposed Qualifying Transaction and the proposed principal uses for those funds:

<b>Principal Purposes of Funds</b>	<b>Amount (\$)</b>
Estimated expenses of the QT	100,000
G&A for 18 months	434,556
Operating and finance cost	587,616
New hires of employees for anticipated growth	150,000
Unallocated funds	1,824,770
<b>Total Use of Available Funds</b>	<b>\$ 3,096,942</b>

As of the date of this Filing Statement, no acquisitions have been identified at this time.

The above uses of available funds are estimates only. Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to execute the planned undertakings of the Resulting Issuer. For these reasons, management considers it to be in the best interests of the Resulting Issuer and its shareholders to permit management a reasonable degree of flexibility as to how the Resulting Issuer's funds are employed among the above uses or for other purposes, as the need may arise.

### 7. **Principal Securityholders**

To the best of the knowledge of management of the Company and 1421526 Ltd., the Persons who will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting rights attached to all of the outstanding shares of the Resulting Issuer after Completion of the Proposed Qualifying Transaction are as follows:

<b>Shareholder and Municipality of Residence</b>	<b>Number of Resulting Issuer Common Shares Beneficially Owned After Completion of Proposed Qualifying Transaction</b>	<b>Percentage of Resulting Issuer Common Shares Beneficially Owned After Completion of Proposed Qualifying Transaction</b>	
		<b>Non Diluted</b>	<b>Fully Diluted</b>
Lui Holdings Corporation <sup>(1)</sup> <i>Edmonton, Alberta, Canada</i>	50,977,902	77.70%	67.92%

Note:

(1) The principal shareholder of Lui Holdings Corporation is Ben Lui.

All of the shares set forth in the above table are owned both beneficially and of record by the shareholder identified in the table, except as otherwise indicated in the notes.

## 8. Directors, Officers and Promoters

### 8.1 Name, Municipality of Residence, Occupation and Security Holdings

Effective upon the Closing of the Proposed Qualifying Transaction, the individuals disclosed in the table below will be the directors and officers of the Resulting Issuer, with the term of office of the directors to expire on the date of the next annual general meeting of the shareholders of the Resulting Issuer.

<b>Name, Municipality of Residence and Position with Resulting Issuer</b>	<b>Principal Occupation for Past Five Years<sup>(1)</sup></b>	<b>Director or Officer of the Company or 1421526 Ltd. Since</b>	<b>Number and Percentage of Shares of Resulting Issuer to be owned directly and indirectly after Completion of Proposed Qualifying Transaction<sup>(2)</sup></b>
<b>Ben Lui</b> <sup>(4)</sup> Edmonton, Alberta, Canada  <i>President, Chief Executive Officer and Director</i>	President and Chief Executive Office of the various Yorkton Group of companies and strata corporations starting from 2002. Yorkton Group owns and develops properties in Edmonton, Alberta, and Surrey, British Columbia with a focus on real estate developments and investments. Director and Chief Executive Officer of Lui Holdings since January 1, 2018; In addition, Mr. Lui manages and leads a team of property management professionals in managing a large portfolio of residential and commercial properties in Western Canada.	President and Secretary-Treasurer of 1421526 Ltd. since August 2008	50,977,902 (77.70%)
<b>Evan Chan</b> <sup>(4)</sup> Edmonton, Alberta, Canada  <i>Chief Financial Officer, Director</i>	Chief Financial Officer of J&D Food Services Ltd., a private Alberta corporation that is a distributor of Asian food products, frozen seafood, fresh meats, produce and canned goods in Edmonton and Calgary.	Chief Financial Officer of 1421526 Ltd. since March 2020	Nil
<b>Kevin Saskiw</b> Edmonton, Alberta, Canada  <i>Corporate Secretary</i>	Chief Financial Officer of Trusted Brand since February 2016 and Corporate Finance Associate at Emerging Equities, Inc. from May 2016 to June 2019 and Pro Link Mortgage from February 2008 to May 2016.	Chief Financial Officer of the Company since February 2016	40,000 (0.06%)
<b>Bill Smith</b> <sup>(3)(4)</sup> Edmonton, Alberta, Canada  <i>Director</i>	Advisor to the President and CEO of BioNeutra Global Corporation, a publicly trading company listed on the TSX Venture Exchange. Previously he was Chairman and Senior VP of BioNeutra Global Corporation, a publicly listed company on the TSX Venture Exchange, and Director and Senior VP of BioNeutra North America Inc., a private Alberta corporation. BioNeutra Global Corporation is in the business of research and development, production and commercialization of ingredients for nutraceutical, functional and mainstream foods and beverages, with a focus on VitaFiber™ IMOs.	N/A	Nil

Name, Municipality of Residence and Position with Resulting Issuer	Principal Occupation for Past Five Years <sup>(1)</sup>	Director or Officer of the Company or 1421526 Ltd. Since	Number and Percentage of Shares of Resulting Issuer to be owned directly and indirectly after Completion of Proposed Qualifying Transaction <sup>(2)</sup>
<b>Mark Wilbert</b> <sup>(3)</sup> Edmonton, Alberta, Canada	Real Estate Brokerage Partner with Coldwell Banker Venture Realty	N/A	Nil
<i>Director</i>			
<b>Jason Theiss</b> <sup>(3)</sup> Edmonton, Alberta, Canada	A Chartered Professional Accountant and Chief Financial Officer of Bri-Chem Corp., a publicly trading company listed on the TSX. Bri-Chem Corp. is an industry leader for the wholesale distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. Bri-Chem Corp. sells, blends and packages and distributes a full range of drilling fluid products from 26 strategically located warehouses throughout Canada and the United States.	N/A	Nil
<i>Director, Audit Committee Chair</i>			

**Notes:**

- (1) For a complete description of the proposed directors of the Resulting Issuer, see "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters – Management*".
- (2) Non diluted.
- (3) Member of the Audit Committee.
- (4) Member of the Corporate Governance Committee.

Following the Completion of the Proposed Qualifying Transaction, the board of directors of the Resulting Issuer will establish an audit committee and such other committees of the board as it determines to be appropriate. Following the Completion of the Proposed Qualifying Transaction, it is anticipated that the Audit Committee will be comprised of Jason Theiss (Chair), Bill Smith and Mark Wilbert.

As of the date of this Filing Statement, the Company Shares beneficially owned, directly or indirectly, by all promoters, directors, officers and Control Persons of the Company, as a group, is 40,000 Company Shares or approximately 1.0% of the 3,962,900 currently issued and outstanding Company Shares. As of the date of this Filing Statement, the 1421526 Shares beneficially owned, directly or indirectly, by all promoters, directors, officers and Control Persons of 1421526 Ltd., as a group, is ninety (90) 1421526 Shares, or approximately 90% of the 100 currently issued and outstanding 1421526 Shares. Upon Closing of the Proposed Qualifying Transaction, including the Private Placement, the Resulting Issuer Common Shares beneficially owned, directly or indirectly, by all promoters, directors, officers and Control Persons of the Resulting Issuer, as a group, will be 51,017,902 Resulting Issuer Common Shares or approximately 77.77% of the 65,605,013 Resulting Issuer Common Shares then to be issued and outstanding. Upon Closing of the Proposed Qualifying Transaction as described herein, the Resulting Issuer Common Shares beneficially owned, directly or indirectly, by the public, as a group, will be 14,587,111 Resulting Issuer Common Shares or approximately 22.23% of the 65,605,013 Resulting Issuer Common Shares then to be issued and outstanding.

## 8.2 Management

The following are summaries of the proposed directors and principal management of the Resulting Issuer, including their respective proposed positions with the Resulting Issuer and relevant work and educational background. None of these parties have entered into non-competition or non-disclosure agreements with 1421526 Ltd. or the Company at

this time, although it is intended that such agreements will be entered into prior to Closing of the Proposed Qualifying Transaction.

*Ben Lui, 62*, is the proposed President and Chief Executive Officer and a director of the Resulting Issuer. Mr. Lui graduated from the University of Toronto with a Bachelor of Science degree majoring in Computer Science and Commerce. Mr. Lui has since gained diverse professional experience in Information Systems and Business Management consulting, as well as business owner and operator in property management, manufacturing, import and distribution, media publication and hospitality industries. In late 1980's, Mr. Lui has started his real estate business encompassing investment, development and asset management, and has achieved the Award of Excellence in Multi Family Residential development from the Alberta Masonry Council in 2019.

Mr. Lui primarily focuses on business and real estate acquisitions, strategic planning and development, real estate development and construction.

Mr. Lui is a strong advocate of conservative investment approach providing sustainable growth, transparent communication, accountability, and well-executed business plans with attention to details. Mr. Lui brings to the resulting issuer his visionary leadership which has allowed him to grow his real estate business to over 30 real estate projects comprising of hotel, condominium and land developments, constructions, property management of income producing real estate portfolio, as well as large land parcels for future development.

Mr. Lui will be a consultant of the Resulting Issuer and will devote about 80% of his business time to the affairs of the Resulting Issuer.

*Evan Chan, 65*, is the proposed Chief Financial Officer and a director of the Resulting Issuer. Mr. Chan attained his CPA, CA in 1982 and CISA (Certified Information Systems Auditor) in 1989. He was admitted to Partnership at Gardiner Karbani Audy & Partners CAs in 1986 (now BDO LLP). He has diverse experience in various industries, and he possesses special insight into the betterment of internal control systems and procedures in businesses. He had been a partner-in-charge of audits on public companies. He also has written a computer program used by the legal communities across Canada in 1997. In 2000 he took the position as the Chief Financial Officer and part owner of J&D Food Services – Edmonton & Calgary. He helped grow the bottom-line and sales of J&D. The company grew from \$10 million to \$50 million in annual revenue over the period 2001 - 2017. The company was eventually sold in 2017 and he stayed on until 2018 to help the new management. He has a passion of flying small planes and playing Scottish bagpipes.

Mr. Chan will be a consultant of the Resulting Issuer and will devote about 80% of his business time to the affairs of the Resulting Issuer.

*Kevin Saskiw, 45*, is the proposed Corporate Secretary of the Resulting Issuer. Mr. Saskiw is the Chief Financial Officer at Trusted Brand and former Corporate Finance Associate Research Analyst at Emerging Equities, Inc. He has many years of experience in corporate finance, commercial banking and research analyst with valuations experience and expertise in financial modeling, lending, negotiating mergers and acquisitions, joint ventures, and asset/company sales. Mr. Saskiw received an undergraduate degree from the University of Alberta and holds the Chartered Financial Analyst designation.

Mr. Saskiw will be a consultant of the Resulting Issuer and will devote less than 5% of his business time to the affairs of the Resulting Issuer.

*Bill Smith, 85*, is a proposed Director of the Resulting Issuer. Mr. Smith was previously the Chairman and Senior VP of BioNeutra Global Corporation, a publicly trading company listed on the TSX Venture Exchange, and Director and Senior VP of BioNeutra North America Inc., a private Alberta corporation. Mr. Smith continues to be employed as an advisor to the President and CEO of BioNeutra Global Corporation.

Mr. Smith has completed many business courses over the years and studied for his Business Administration certificate. His career includes that of a professional athlete (Edmonton Eskimos), a businessman (a Tire operation, a technology

company – Alberta Supernet, and a consulting company - Bill Smith & Associates Inc. ), and the Mayor for the City of Edmonton, for three terms. He has also served on a number of public and private boards as director and Chairman.

Mr. Smith will be a consultant of the Resulting Issuer and will devote less than 5% of his business time to the affairs of the Resulting Issuer.

*Mark Wilbert, 37*, is a proposed director of the Resulting Issuer. Mr. Mark Wilbert is a Partner at Coldwell Banker Commercial Venture Realty and has over 10 years of experience in both Commercial and Residential transactions focusing on investment properties from distressed assets to apartment buildings. He has received many accolades in the real estate market.

His background includes Real Estate Investment, Commercial Banking, International Logistics and International Law. Mr. Wilbert holds a Bachelor of Commerce Degree from the University of Alberta and graduated from the Department of International Relations at Fudan University in Shanghai.

Mr. Wilbert was born and raised in Edmonton, and has assisted in making Edmonton home for several international clients, as well as businesses looking to expand into the Edmonton and surrounding markets.

Mr. Wilbert will be a consultant of the Resulting Issuer and will devote less than 5% of his business time to the affairs of the Resulting Issuer.

*Jason Theiss, 44*, is a proposed director of the Resulting Issuer. Mr. Theiss is a Chartered Professional Accountant who has over 12 years post designation accounting experience in managing finance and accounting personnel. Since June 2007, Mr. Theiss has been the Chief Financial Officer of Bri-Chem Corp., a publicly trading company listed on the TSX. Mr. Theiss has been involved in an executive management role for several public and private corporations. He has a Chartered Professional Accountant designation and a Bachelor of Business Administration degree.

Mr. Theiss will be a consultant of the Resulting Issuer and will devote less than 5% of his business time to the affairs of the Resulting Issuer.

The following table sets out the proposed members of the three director committees of the Resulting Issuer upon the Completion of the Proposed Qualifying Transaction:

<b>Committee</b>	<b>Members</b>
Audit Committee	Jason Theiss (Chair) Bill Smith Mark Wilbert
Corporate Governance Committee	Bill Smith (Chair) Ben Lui Evan Chan

### **8.3 Promoter Consideration**

The sole promoter of 1421526 Ltd. is Ben Lui.

Mr. Lui will, directly and indirectly, own or control 50,977,902 common shares of the Resulting Issuer which represents 77.70% of the issued and outstanding shares of the Resulting Issuer on a non-diluted basis. See "*Information Concerning The Resulting Issuer – Directors, Officers and Promoters – Name, Municipality of Residence, Occupation and Security Holdings*".

#### **8.4 Cease Trade Orders or Bankruptcies**

Within the past ten years none of the individuals proposed for appointment as a director, officer, promoter or other member of management of the Resulting Issuer upon Closing of the Proposed Qualifying Transaction, nor any promoter of the Resulting Issuer or security holder anticipated to hold a sufficient number of securities the Resulting Issuer to affect materially the control of the Resulting Issuer, has been a director, officer or promoter of any other issuer that, while he was acting in that capacity has been a director, officer or promoter of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemptions under applicable securities law for a period of more than thirty (30) consecutive days; or
- (b) was declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### **8.5 Penalties or Sanctions**

No individual proposed for appointment as a director or officer of the Resulting Issuer, nor any promoter of the Resulting Issuer or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Company upon Closing of the Proposed Qualifying Transaction, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making a decision about the Proposed Qualifying Transaction.

#### **8.6 Personal Bankruptcies**

Except as otherwise set forth herein, no individual proposed for appointment as a director or officer of the Resulting Issuer upon Closing of the Proposed Qualifying Transaction, nor any promoter of the Resulting Issuer or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer upon Closing of the Proposed Qualifying Transaction, nor any personal holding company of any such person, has, within the ten years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

#### **8.7 Conflicts of Interest**

Some of the individuals proposed for appointment as directors or officers or promoters of the Resulting Issuer upon Closing of the Proposed Qualifying Transaction are also directors, officers and/or promoters of other reporting and non-reporting issuers. Conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the *Business Corporations Act* (Alberta) to act at all times in good faith in the interest of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise and to abstain from voting on any matters where a conflict of interest may arise. Except as otherwise provided herein, to the best of its knowledge, the Company is not aware of the existence of any conflicts of interest between the Company and any of its directors and officers as of the date of this Filing Statement. Except as otherwise provided herein, to the best of its knowledge, 1421526 Ltd. is not aware of the existence of any conflicts of interest between 1421526 Ltd. and any of its directors and officers as of the date of this Filing Statement. The shareholders of the Company must appreciate that they will be required to rely on the judgment and good faith of its directors and officers, as well as on the judgment and good faith of the directors and officers of 1421526 Ltd., in resolving any conflicts of interest that may arise.

## 8.8 Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoter of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name of Reporting Issuer	Position	Exchange	From	To
Bill Smith	BioNeutra Global Corporation	Chairman	TSXV	April 1, 2017 December 31, 2019	August 6, 2019 April 2, 2020
		Senior Vice Chair	TSXV	October 29, 2014 December 19, 2019	October 27, 2016 August 6, 2019
		Vice Chairman	TSXV	October 27, 2016	April 2, 2020 April 15, 2017
		Director	TSXV	October 29, 2014	April 2, 2020
Jason Theiss	Bri-Chem Corp.	Chief Financial Officer	TSX	July 3, 2007	Present
	BioNeutra Global Corporation	Director	TSXV	August 6, 2019	Present

## 9. Indebtedness of Directors and Officers

Upon Closing of the Proposed Qualifying Transaction, none of the directors or officers of either 1421526 Ltd. or the Company, nor any other individual who at any time since incorporation of 1421526 Ltd. was a director or officer of either 1421526 Ltd. or the Company, nor any of their Associates, will be indebted to either 1421526 Ltd. or the Company, and neither will any indebtedness of any of these individuals or Associates to another entity be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by either 1421526 Ltd. or the Company.

## 10. Investor Relations Arrangements

Neither the Company nor 1421526 Ltd. has entered into any written or oral agreement or understanding with any person to provide promotional or investor relations services to either of them, or to engage in activities for the purposes of stabilizing the market, either now or in the future.

## 11. Options to Purchase Securities

As at the date hereof, there are 396,290 Company Options issued and outstanding. The Resulting Issuer will have 1,146,290 Resulting Issuer Options outstanding immediately following the Closing of the Proposed Qualifying Transaction (assuming no prior exercises). The following table illustrates the number of Resulting Issuer Options that will be held by the proposed officers of the Resulting Issuer, the proposed directors of the Resulting Issuer that are not also officers of the Resulting Issuer, the employees of the Resulting Issuer and the former directors of the Company.

Name and Principal Position	Number of Holders	Resulting Issuer Options (#)	Exercise or Base Price (Cdn\$/Resulting Issuer Share)	Expiration Date
Officers of the Resulting Issuer, as a group	2	350,000	0.20	5 years from Completion of the Proposed Qualifying Transaction
Proposed Directors of the Resulting Issuer who are not officers, as a group	3	150,000	0.20	5 years from Completion of the Proposed Qualifying Transaction
Employees of the Resulting Issuer, as a group	(1)	250,000	0.20	5 years from Completion of the Proposed Qualifying Transaction
Former directors of the Company (as a group)	4	396,290	0.20	12 months from Completion of the Proposed Qualifying Transaction

**Note:**

(1) A number of various employees.

In connection with the Qualifying Transaction, the Resulting Issuer will assume the Company Option Plan and all of the foregoing options of the Resulting Issuer will be governed by the Option Plan of the Company.

## 12. Stock Option Plan

The Resulting Issuer intends to adopt the Option Plan of the Company (the “**Resulting Issuer Option Plan**”). The Resulting Issuer Option Plan provides that the board of directors may, from time to time, in its discretion and in accordance with the Exchange Requirements, grant to directors, officers, employees and technical consultants to the Resulting Issuer, non-transferable options to purchase Resulting Issuer Common Shares, provided that the number of Resulting Issuer Common Shares reserved for issuance will not exceed 4,192,580 Resulting Issuer Common Shares, being 20% of the outstanding Resulting Issuer Common Shares following Completion of the Proposed Qualifying Transaction. Such Resulting Issuer Options will be exercisable for a period of up to ten (10) years from the date of grant. The number of Resulting Issuer Common Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Resulting Issuer Common Shares and the number of Resulting Issuer Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Resulting Issuer Common Shares. The Resulting Issuer Option Plan provides that options may be exercised the greater of 12 months after the completion of the Qualifying Transaction (as such term is defined in Policy 2.4 of the TSX Venture) and 90 days following cessation of the optionee's position with the Resulting Issuer, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to the expiry date of such option.

For further information regarding the Resulting Issuer Option Plan, see “*Information Concerning the Company – Stock Option Plan*”.

## 13. Escrowed Securities

As at the date hereof, there are 1,680,000 Company Shares that are held by the current officers and directors of the Company that are subject to escrow and have been deposited with the escrow agent (Computershare Trust Company of Canada) pursuant to the CPC Escrow Agreement. An additional 120,200 Company Shares that are held by certain current directors of the Company are also subject to Exchange imposed escrow. While the Company Shares are held in escrow pursuant to the CPC Escrow Agreement, there will be no transfer of the escrowed shares amongst any parties.

To the best of the knowledge of the managements of the Company and 1421526 Ltd., as of the date of this , Filing Statement, the following table discloses the names and municipalities of residence of the securityholders, the number of Company Shares currently held in escrow and the number of Resulting Issuer Common Shares anticipated to be held in escrow upon Completion of the Proposed Qualifying Transaction, and the percentage that those numbers represent of the outstanding Company Shares or the Resulting Issuer Common Shares, as applicable:

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction	
		No. of Company Shares held in escrow	Percentage of class	No. of Resulting Issuer Common Shares to be held in escrow	Percentage of class <sup>(2)</sup>
Theodore Geier <i>Calgary, Alberta</i>	Company Shares	1,096,200 <sup>(1)</sup>	27.66%	1,096,200 <sup>(1)</sup>	1.67%
Perla Woo <i>Calgary, Alberta</i>	Company Shares	243,000 <sup>(1)</sup>	6.13%	243,000 <sup>(1)</sup>	0.37%
Robert Libin <i>Calgary, Alberta</i>	Company Shares	120,000 <sup>(1)</sup>	3.03%	120,000 <sup>(1)</sup>	0.18%

Name and Municipality of Residence of Securityholder	Designation of Class	Prior to Giving Effect to the Proposed Qualifying Transaction		After Giving Effect to the Proposed Qualifying Transaction	
		No. of Company Shares held in escrow	Percentage of class	No. of Resulting Issuer Common Shares to be held in escrow	Percentage of class <sup>(2)</sup>
Karen Stewart <i>Calgary, Alberta</i>	Company Shares	104,000 <sup>(1)</sup>	2.62%	104,000 <sup>(1)</sup>	0.16%
Jim Pletcher <i>Edmonton, Alberta</i>	Company Shares	80,000 <sup>(1)</sup>	2.02%	80,000 <sup>(1)</sup>	0.12%
Elly Pletcher <i>Edmonton, Alberta</i>	Company Shares	80,000 <sup>(1)</sup>	2.02%	80,000 <sup>(1)</sup>	0.12%
Kevin Saskiw <i>Edmonton, Alberta</i>	Company Shares	40,000 <sup>(1)</sup>	1.01%	40,000 <sup>(1)</sup>	0.06%
David Mackenzie <i>Calgary, Alberta</i>	Company Shares	40,000 <sup>(1)</sup>	1.01%	40,000 <sup>(1)</sup>	0.06%
Lui Holdings <i>Edmonton, Alberta</i>	Resulting Issuer Common Shares	Nil	Nil	50,977,902 <sup>(3)</sup>	77.70%
991799 Ltd. <i>Edmonton, Alberta</i>	Resulting Issuer Common Shares	Nil	Nil	5,664,211 <sup>(3)</sup>	8.63%

Note:

- (1) Subject to the CPC Escrow Agreement (among the Company, Computershare Trust Company of Canada and the founding shareholders of the Company) whereby 10% of such securities shall be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% shall be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.
- (2) Non-diluted.
- (3) To be deposited upon Completion of the Proposed Qualifying Transaction under the Tier 2 Value Security Escrow Agreement (to be entered into concurrent with the Closing of the Proposed Qualifying Transaction between the Resulting Issuer, certain Insiders of the Resulting Issuer and Computershare Trust Company of Canada) whereby 10% of such securities shall be released from escrow on the issuance of the Final Exchange Bulletin and an additional 15% shall be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

#### 14. Auditors, Transfer Agent and Registrar

##### 14.1 Auditor

The Resulting Issuer's auditors will be RSM Alberta LLP, whose principal office is located at 2500 Bell Tower, 10104 – 103 Avenue NW, Edmonton, Alberta, T5J 0H8.

##### 14.2 Transfer Agent and Registrar

It is anticipated that the registrar and transfer agent for the Resulting Issuer Common Shares subsequent to the Completion of the Proposed Qualifying Transaction will continue to be Computershare Trust Company of Canada with an office located at 600, 530 – 8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3S8.

## 15. Risk Factors

### 15.1 Risks Related to the Business

#### COVID-19

The COVID-19 pandemic has, and likely will continue to, adversely affect the business of 1421526 Ltd., its financial condition and results of operations. In March 2020, the World Health Organization characterized a novel strain of the coronavirus, known as COVID-19, as a pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impact have created substantial disruption and uncertainty in the global economy. The COVID-19 pandemic and related containment measures have already caused a global economic downturn and it is likely that the current outbreak and continued spread of COVID-19 will cause a global recession. We are unable to predict the extent and duration of any such downturn or recession or the ultimate impact of the pandemic on the business of 1421526 Ltd. and the Resulting Issuer due to various uncertainties, such as the duration and severity of the outbreak, actions that may be taken by governmental authorities, businesses and individuals in response to the pandemic, and the effect on our customers. While COVID-19 and related containment measures had limited impact on 1421526 Ltd.'s business as at the date hereof, the impact of the pandemic on its business and the business of the Resulting Issuer in the future could be material. While 1421526 Ltd. has implemented measures and plans designed to mitigate the effects of the COVID-19 pandemic, these efforts may prove to be inadequate.

The business of 1421526 Ltd. depends and the business of the Resulting Issuer will depend on the financial health and strength of its customers, which in turn is primarily dependent on the general economy in Alberta, and secondarily on the general economy in Canada. Cost-cutting, reduced spending or reduced activity by its customers could adversely affect 1421526 Ltd.'s and the Resulting Issuer's financial results by reducing its revenues.

#### Business Risk

The Resulting Issuer's proposed business is dependent on numerous factors that are specific to its business, including but not limited to, risks pertaining to permits and licensing and intellectual property infringement. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or reduction of demand particularly affect property investments. Economic performance, the value of real estate assets and, therefore, the value of shareholders' investments are subject to the risks normally associated with the ownership and operation of real estate properties, including but not limited to: downturns and trends in the local economic conditions; the cyclical nature of the real estate industry; local conditions such as an oversupply of office properties, including space available by sublease, or a reduction in demand for high rise and other office properties; changes in interest rates and the availability of financing; competition from other properties; changes in market rental rates and our ability to rent space on favorable terms; the bankruptcy, insolvency, credit deterioration or other default of tenants; the need to periodically renovate, repair and re-lease space and the costs thereof; increases in maintenance, insurance and operating costs; civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; the attractiveness of our properties to tenants; and certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges that must be made regardless of whether or not a property is producing sufficient income to service these expenses.

#### Interest Rate Financing Risk and Refinancing Risk

Indebtedness in the future may be incurred that bears interest at a variable rate or properties may be required to be refinanced at higher rates. Accordingly, increases in interest rates above that which has been anticipated based upon historical trends could adversely affect the Resulting Issuer's cash flows. To mitigate the fluctuation in interest rates, management can attempt to lock in cash returns on assets for the longest period consistent with exposure to debt maturing and leases expiring in any given year. The current debt market is improving for long-term mortgage financing and interest rate spreads are returning to historic norms.

### Credit Risk

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Global market and economic conditions over the past few years have been unprecedented and challenging with tighter credit conditions and slower growth. Continued concerns about the systemic impact of inflation, the availability and cost of credit, the declining real estate market, energy cost, geopolitical issues and increased market uncertainty have contributed to increased market volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital and credit markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect the business, financial condition and results of operations.

As a result of these market conditions, the cost and availability of credit have been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce and, in some cases, cease to provide funding to businesses and consumers. There can be no assurance that the markets will stabilize in the near future.

### Lease Renewals, Rental Increases, Lease Termination Rights and Other Lease Matters

Expiries of leases for the 1421526 Property and other properties that the Resulting Issuer may acquire will occur from time to time over the short and long-term. No assurance can be provided that the Resulting Issuer will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the Resulting Issuer's financial condition and results of operations. Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the Resulting Issuer and could adversely impact the Resulting Issuer's financial condition and results of operations and decrease the amount of cash available for distribution. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

### Tenant Defaults, Bankruptcies or Insolvencies

A tenant may experience a downturn in its business, which could cause the loss of that tenant or weaken its financial condition and result in the tenant's inability to make rental payments when due. If a tenant defaults, there may be a delay in receipt of payment and possibly an incurrence of additional costs through court proceedings. In such a case, a claim against a tenant for unpaid, future rent may be less than the remaining rent owed under the lease. In any event, it is unlikely that a bankrupt tenant will pay the full amount it owes under a lease. The loss of rental payments from tenants and costs of re-leasing could adversely affect the cash flows and results of operations.

### Joint Venture Investments

The Resulting Issuer may, in the future, co-invest in properties through joint ventures or other joint equity structures. In any such joint venture, the Resulting Issuer would not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the Resulting Issuer's business interests or goals and may be in a position to take actions contrary to the Resulting Issuer's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Resulting Issuer nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the Resulting Issuer and its joint venture partners could result in litigation or arbitration that could increase the Resulting Issuer's expenses and distract its officers and/or directors from focusing their time and effort on the Resulting Issuer's business. In addition, the Resulting Issuer might in certain circumstances be liable for the actions of its joint venture partners.

### Capital Expenditures and Other Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage and leasehold payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, the Resulting Issuer must maintain or, in some cases, improve the 1421526 Property's condition (and the condition of other properties that the Resulting Issuer may acquire) to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the Resulting Issuer may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading the 1421526 Property and other properties that the Resulting Issuer may acquire exceed estimates of the Resulting Issuer, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the Resulting Issuer is not permitted to raise the rents due to legal constraints, the Resulting Issuer will incur additional and unexpected costs. If competing properties of a similar type are built in the area where the 1421526 Property or other properties that the Resulting Issuer may acquire are located or similar properties located in the vicinity of the Resulting Issuer's properties are substantially refurbished, the net operating income derived from and the value of, the Resulting Issuer's properties could be reduced.

### Reliance on Key Personnel

The Resulting Issuer will depend on the services of certain key personnel, including in particular Ben Lui, as Chief Executive Officer, and Evan Chan, as Chief Financial Officer. There can be no assurance that the Resulting Issuer will be able to retain its existing key personnel, attract qualified executives or adequately fill new or replace existing senior management positions or vacancies created by expansion, turnover or otherwise. The loss of the services of any one or more of the Resulting Issuer's key personnel or the inability to retain, attract or fill any such personnel or positions or vacancies could have an adverse effect on the Resulting Issuer.

### Liquidity

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Resulting Issuer's ability to vary its portfolio promptly in response to changing economic or investment conditions.

### Acquisition and Integration of Additional Properties

The Resulting Issuer intends to acquire additional properties in the future and the Resulting Issuer's future growth will be dependent upon its ability to successfully acquire new properties on favorable terms. Future acquisition opportunities may not be available to the Resulting Issuer on terms that meet its investment criteria or it may be unsuccessful in capitalizing on such opportunities. The Resulting Issuer's ability to capitalize on such acquisition opportunities will be significantly dependent upon external sources of capital that may not be available to it on favorable terms or at all.

The Resulting Issuer's ability to acquire properties on favorable terms and successfully operate them involves the following risks:

- competition from other real estate investors in acquiring desired properties that may prevent the Resulting Issuer from acquiring desired properties or significantly increase the purchase price and decrease expected yields for acquired properties;
- the Resulting Issuer may be unable to finance an acquisition on favorable terms or at all;

- the Resulting Issuer may have to incur significant unexpected capital expenditures to improve or renovate acquired properties;
- the Resulting Issuer may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into its existing operations;
- requiring the Resulting Issuer to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- market conditions may result in higher than expected costs and vacancy rates and lower than expected rental rates; and
- the Resulting Issuer may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to it, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of its properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of its properties.

Newly developed and recently acquired properties may not perform as expected and may have characteristics or deficiencies unknown to us at the time of acquisition. The Resulting Issuer cannot assure security holders that it will be able to successfully integrate acquired properties without operating disruptions or unanticipated costs. As the Resulting Issuer acquires additional properties, the Resulting Issuer will be subject to risks associated with integrating and managing new properties, including tenant lease-up and retention and mortgage default. In addition, acquisitions may cause disruptions in the Resulting Issuer's operations and divert management's attention away from day-to-day operations.

#### Litigation

The Resulting Issuer may become subject to disputes with tenants, or other commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Resulting Issuer and the other parties. Whether or not any dispute actually proceeds to litigation, the Resulting Issuer may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Resulting Issuer's business. Any such resolution could involve the payment of damages or expenses by the Resulting Issuer, which may be significant. In addition, any such resolution could involve the Resulting Issuer's agreement to certain settlement terms that restrict the operation of its business.

### **15.2 Risks Related to the Proposed Qualifying Transaction**

#### Exchange Approval

The Closing of the Proposed Qualifying Transaction is subject to the final approval of Exchange, which approval may not be obtained.

#### Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada has experienced a high level of price and volume volatility, and the market prices of securities of many junior companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur or increase in scope. It may be anticipated that any quoted market for the shares of the Resulting Issuer will be subject to market trends generally, notwithstanding any potential success of the Resulting Issuer in creating revenues, cash flows or earnings.

## GENERAL MATTERS

### 1. Sponsorship and Agent Relationship

#### *Sponsor*

No Sponsor has been retained in connection with the Proposed Qualifying Transaction as the Exchange has granted the Company a waiver from sponsorship requirements.

### 2. Experts

#### 2.1 *Opinions*

There are no persons or companies whose professional business gives authority to a statement made by the person or company who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described in this Filing Statement, other than the reports of the auditors of the Company and 1421526 Ltd., respectively, whose reports accompany the audited financial statements of the Company and 1421526 Ltd. set forth in Appendices "A" and "C" hereto, respectively.

#### 2.2 *Interests of Experts*

As at the date hereof, partners and associates of MNP LLP, the Company's current auditors, who were directly involved in services provided to the Company own, respectively, directly or indirectly, in the aggregate, none of the securities of either the Company or 1421526 Ltd. No partner or associate of MNP LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

As at the date hereof, partners and associates of RSM Alberta LLP, the current auditors of 1421526 Ltd., who are directly involved in services provided to 1421526 Ltd. or the Company own, respectively, directly or indirectly, in the aggregate, none of the securities of either the Company or 1421526 Ltd. No partner or associate of RSM Alberta LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

At the date hereof, lawyers with DLA Piper (Canada) LLP, counsel to the Company, own, directly or indirectly, in the aggregate, none of the securities of either the Company or 1421526 Ltd. No lawyer with DLA Piper is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

At the date hereof, lawyers with Parlee McLaws LLP, counsel to 1421526 Ltd., own, directly or indirectly, in the aggregate, none of the securities of either the Company or 1421526 Ltd. No lawyer with Parlee McLaws LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

### 3. Other Material Facts

There are no other material facts about the Company, 1421526 Ltd., the Resulting Issuer or the Proposed Qualifying Transaction that are not elsewhere disclosed herein and which are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to the Company, 1421526 Ltd. and the Resulting Issuer, assuming Completion of the Proposed Qualifying Transaction.

### 4. Board Approval

The contents and the filing of this Filing Statement have been approved by the board of directors of each of the Company and 1421526 Ltd. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than the Company, the Company has relied upon information furnished by such person.

## FINANCIAL STATEMENTS

Financial statements and MD&A for each of Trusted Brand, 1421526 Ltd. and the Resulting Issuer, as applicable, may be found attached hereto at Appendices “A” through “E”, respectively:

- a. **APPENDIX "A"** – audited annual financial statements of Trusted Brand for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 and the auditor’s reports thereon and unaudited interim financial statements of Trusted Brand for the period ended March 31, 2020;
- b. **APPENDIX "B"** – MD&A in connection with those financial statements attached as Appendix “A”;
- c. **APPENDIX "C"** – audited annual financial statements of 1421526 Ltd. for the years ended December 31, 2019, December 31, 2018 and December 31, 2017, and the auditor’s report thereon and unaudited interim financial statements of 1421526 Ltd. for the period ended March 31, 2020;
- d. **APPENDIX "D"** – MD&A in connection with those financial statements attached as Appendix “C”;
- e. **APPENDIX "E"** – unaudited pro forma financial statements of the Resulting Issuer as at March 31, 2020.

**CERTIFICATE OF TRUSTED BRAND 2016 INC.**

Dated: August 28, 2020

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Trusted Brand 2016 Inc. assuming Completion of the Proposed Qualifying Transaction.

*(signed) "Ted Geier"*

\_\_\_\_\_  
**Ted Geier**  
Chief Executive Officer

*(signed) "Kevin Saskiw"*

\_\_\_\_\_  
**Kevin Saskiw**  
Chief Financial Officer

**On behalf of the Board of Directors**

*(signed) "Karen Stewart"*

\_\_\_\_\_  
**Karen Stewart**  
Director

*(signed) "Perla Woo"*

\_\_\_\_\_  
**Perla Woo**  
Director

**CERTIFICATE OF 1421526 ALBERTA LTD.**

Dated: August 28, 2020

The foregoing, as it relates to 1421526 Alberta Ltd., constitutes full, true and plain disclosure of all material facts relating to the securities of 1421526 Alberta Ltd.

*(signed) "Ben Lui"*

**Ben Lui**  
Chief Executive Officer

*(signed) "Evan Chan"*

**Evan Chan**  
Chief Financial Officer

**On behalf of the Board of Directors**

*(signed) "Ben Lui"*

**Ben Lui**  
Director

**APPENDIX "A"**

Audited annual financial statements of Trusted Brand 2016 Inc. for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 and the auditor's reports thereon and unaudited interim financial statements for the period ended March 31, 2020

**Trusted Brand 2016 Inc.**  
**(A Capital Pool Corporation)**  
**Financial Statements**

*For the years ended December 31, 2019 and 2018*  
*(Expressed in Canadian dollars)*

To the Shareholders of Trusted Brand 2016 Inc.:

## Opinion

We have audited the financial statements of Trusted Brand 2016 Inc. (the "Corporation"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the 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.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis 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. We have nothing to report in this regard.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Brad Frampton.

Calgary, Alberta  
March 11, 2020

*MNP* **LLP**  
Chartered Professional Accountants

**Trusted Brand 2016 Inc.**  
**Statements of Financial Position**  
*As at December 31,*

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 218,904	\$ 344,837
	<b>\$ 218,904</b>	<b>\$ 344,837</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 19,000	\$ 21,608
<b>Shareholders' Equity</b>		
Share capital (Note 5)	\$ 557,986	\$ 557,986
Contributed surplus	\$ 118,557	\$ 118,557
Deficit	\$ (476,639)	\$ (353,314)
	<b>\$ 199,904</b>	<b>\$ 323,229</b>
	<b>\$ 218,904</b>	<b>\$ 344,837</b>

**Nature of operations** (Note 1)

**Letters of intent** (Note 10)

**Approved on behalf of the Board of Directors**

“signed”  
**Director**

“signed”  
**Director**

*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statements of Loss and Comprehensive Loss**  
*For the years ended December 31,*

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	2019	2018
<b>Expenses</b>		
Professional fees	\$ 114,533	\$ 64,478
Finance costs	\$ 159	\$ 128
General and administrative expenses	\$ 3,173	\$ 82
Regulatory and filing fees <i>(Note 10)</i>	\$ 5,460	\$ (14,920)
<b>Total expenses</b>	<b>\$ 123,325</b>	<b>\$ 49,768</b>
<b>Loss and comprehensive loss</b>	<b>\$ (123,325)</b>	<b>\$ (49,768)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.06)</b>	<b>\$ (0.02)</b>
Weighted average common shares outstanding – basic and diluted <i>(Note 5)</i>	<b>2,143,700</b>	2,143,700

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*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statements of Changes in Shareholders' Equity**  
*For the years ended December 31, 2019 and 2018*

	<b>Common Shares (#)</b>	<b>Share Capital (\$)</b>	<b>Contributed Surplus (\$)</b>	<b>Deficit (\$)</b>	<b>Shareholders' Equity (\$)</b>
As at December 31, 2017	3,962,900	557,986	118,557	(303,546)	372,997
Loss and comprehensive loss	-	-	-	(49,768)	(49,768)
As at December 31, 2018	3,962,900	557,986	118,557	(353,314)	323,229
Loss and comprehensive loss	-	-	-	(123,325)	(123,325)
<b>As at December 31, 2019</b>	<b>3,962,900</b>	<b>557,986</b>	<b>118,557</b>	<b>(476,639)</b>	<b>199,904</b>

*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statements of Cash Flows**  
*For the years ended December 31,*

	2019	2018
<b>Cash used in the following activities:</b>		
<b>Operating activities</b>		
Loss and comprehensive loss	\$ (123,325)	\$ (49,768)
Net change in non-cash operating activities:		
Other receivables (Note 10)	\$ -	\$ 25,000
Accounts payable and accrued liabilities	\$ (2,608)	\$ 3,682
<b>Cash used in operating activities</b>	<b>\$ (125,933)</b>	<b>\$ (21,086)</b>
Change in cash resources	\$ (125,933)	\$ (21,086)
Cash resources, beginning of year	\$ 344,837	\$ 365,923
<b>Cash resources, end of year</b>	<b>\$ 218,904</b>	<b>\$ 344,837</b>

*The accompanying notes are an integral part of these financial statements*

**1. Nature of operations:**

Trusted Brand 2016 Inc. (the "Corporation") was incorporated under the laws of Alberta on March 4, 2016. The Corporation is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange policies.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

The Corporation issued 1,680,000 common shares ("Seed Shares") for an amount of \$210,000, and on September 12, 2016, the Corporation's prospectus for an Initial Public Offering ("IPO") of the Corporation's common shares was accepted by the regulatory authorities. The IPO closed on November 30, 2016 and a total of 2,282,900 common shares were issued at a price of \$0.25 per common share. The Corporation's shares trade under the symbol HAH.P.

**2. Basis of preparation:**

***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on January 1, 2019.

The financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on March 11, 2020.

***Basis of measurement***

These financial statements were prepared on a going concern basis, under the historical cost convention, except for financial instruments and share-based compensation.

***Use of estimates and judgments***

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 3.

***Functional and presentation currency***

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

**3. Significant accounting policies**

***Cash***

Cash consists of the proceeds generated on the issuance of common shares.

***Share-based payments***

The Corporation applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Corporation uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

***Taxes***

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

***Current tax***

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred tax***

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

***Financial Instruments***

***Classification and measurement of financial instruments***

The Corporation measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Corporation's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

**3. Significant accounting policies (continued)**

***Amortized cost***

The Corporation classifies its cash, and accounts payable and accrued liabilities as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

***Impairment of financial assets***

The Corporation's financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the financial asset.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

***Earnings/loss per share***

Basic earnings or loss per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted earnings or loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units. Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares

***Estimates***

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

***Fair value of financial instruments***

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

***Stock options***

The Corporation records stock-based payments based on management's judgement of the expected exercise date of options which is impacted by the timing of completion of the Qualifying Transaction.

***Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Judgements***

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

**3. Significant accounting policies (continued)**

*Taxes*

The Corporation recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Corporation's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

**4. New accounting pronouncements**

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". The Corporation has adopted this standard on January 1, 2019 and adoption did not have an impact on the financial statements as the Corporation has not entered into any lease agreements.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

**5. Share capital:**

*Authorized*

Unlimited number of Common Shares and Preferred Shares

<b>Issued common shares</b>	<b>Number of shares</b>	<b>\$</b>
Balance as at December 31, 2018, and December 31, 2019	<b>3,962,900</b>	<b>557,986</b>

**Escrow**

The Corporation has issued 1,819,200 Common Shares (December 31, 2018 - 1,819,200) subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval by the Exchange of the Corporation's Qualifying Transaction. An additional 15% of the escrowed Common Shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction. These common shares which are considered contingently issuable until the Corporation completes a Qualifying Transaction are not considered to be outstanding for the purposes of the loss per share calculation.

**5. Share capital (continued)**

**Stock options**

The Corporation has adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Corporation's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

The following table summarizes information about stock options outstanding:

	Number of options (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
As at December 31, 2017	523,380	5.16	0.25
Expired	(228,290)	-	0.25
Balance at December 31, 2018	295,090	7.65	0.25
Expired	-	-	0.25
<b>As at December 31, 2019</b>	<b>295,090</b>	<b>6.65</b>	<b>0.25</b>

- (i) As part of the IPO, the Corporation granted 396,290 options at \$0.25 per share to the directors and officers of the Corporation exercisable for a period of ten years. The fair value of the directors and officer options was \$88,659. During 2018, 228,290 options expired.

**6. Capital disclosures**

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at year end.

**7. Financial instruments**

The Corporation, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

**Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributed to cash. Cash balances are held with the Corporation's major Canadian financial institution, from which management believes the risk of loss to be remote.

**Liquidity risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Corporation had a cash balance of \$218,904 (December 31, 2018 - \$344,837) to settle future obligations of \$19,000 (December 31, 2018 - \$21,608). All the Corporation's financial liabilities have contractual maturities of 30 days and are due on demand.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. As at December 31, 2019 and 2018, the Corporation is not materially exposed to any market risks.

**8. Taxes**

The net income tax provision differs from that expected by applying the Canadian corporate rate due to the following:

	2019	2018
Loss before income tax	(123,325)	(49,768)
Statutory tax rate	26.5%	27.0%
Expected tax recovery	(32,681)	(13,437)
Tax benefit not recognized	32,681	13,437
Income tax expense	-	-

The combined federal and provincial tax rate decreased to 26.5 percent from 27.0 percent due to the Alberta corporate tax rate decreasing from 12.0 percent to 11.0 percent effective July 1, 2019.

**8. Taxes (continued)**

The Corporation has gross temporary differences of the following:

	2019	2018
Share issuance costs	33,160	77,708
Loss carry-forwards	547,500	379,627
Unrecognized deductible temporary differences	580,660	457,335

As at December 31, 2019, the Corporation's non-capital loss carry-forward balance is available to reduce future years' income for tax purposes. These losses, if not fully utilized, will begin to expire in 2040.

**9. Related party transactions**

Key management include all officers and directors of the Corporation and did not earn compensation for their services. At year end, included in accounts payable and accrued liabilities is \$nil (December 31, 2018 - \$nil) related to key management compensation.

**10. Letters of intent**

On January 30, 2017, the Corporation signed a letter of intent that would have served as the Corporation's Qualifying Transaction. On December 20, 2017, the letter of intent was terminated, and the Corporation received a termination fee of \$25,000 from the target company. During the year ended December 31, 2018, subsequent to the termination, the Corporation recovered an overpayment of filing fees previously remitted to the Exchange.

On May 30, 2018 the Corporation entered into a non-binding letter of intent (the "LOI") with TheraCann International Benchmark Corporation, an arm's length private corporation ("TheraCann"). TheraCann is focused in the business of developing and implementing proprietary solutions for production, quality and traceability in regulated cannabis operations. Pursuant to the terms of the LOI, the Corporation, subject to entering into a definitive agreement (the "Transaction Agreement"), has agreed to combine with TheraCann by way of share exchange, merger, amalgamation, arrangement, or other similar form of transaction (the "Transaction"). During the year ended December 31, 2019 this letter of intent was terminated.

On January 31, 2020, the Corporation signed a binding letter of intent with 1421526 Alberta Ltd, an arm's length private corporation (the "Transaction"). 1421526 Alberta Ltd. is focused on real estate development in Edmonton, Alberta. Pursuant to the terms of the Transaction, the Corporation will acquire from the shareholders of 1421526 Alberta Ltd. all of the issued and outstanding shares of 1421526 Alberta Ltd. in exchange for 17,000,000 Common Shares of the Corporation at \$0.20 per Common Share. The resulting issuer will issue a further 21,000,000 preferred shares to \$0.20 per preferred share. The preferred shares will be convertible into one common share of the resulting issuer.

**Trusted Brand 2016 Inc.**  
**(A Capital Pool Corporation)**  
**Financial Statements**

*For the years ended December 31, 2018 and 2017*  
*(Expressed in Canadian dollars)*

# Independent Auditor's Report

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To the Shareholders of Trusted Brand 2016 Inc.:

## Opinion

We have audited the financial statements of Trusted Brand 2016 Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis 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. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Sid Rieger.

Calgary, Alberta  
April 16, 2019

*MNP* LLP  
Chartered Professional Accountants

**Trusted Brand 2016 Inc.**  
**Statements of Financial Position**  
*As at December 31,*

	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 344,837	\$ 365,923
Other receivables	\$ -	\$ 25,000
	<b>\$ 344,837</b>	<b>\$ 390,923</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 21,608	\$ 17,926
<b>Shareholders' Equity</b>		
Share capital (Note 5)	\$ 557,986	\$ 557,986
Contributed surplus (Note 5)	\$ 118,557	\$ 118,557
Deficit	\$ (353,314)	\$ (303,546)
	\$ 323,229	\$ 372,997
	<b>\$ 344,837</b>	<b>\$ 390,923</b>

Nature of operations (Note 1)

Subsequent events (Note 10)

Letter of intent (Note 11)

Approved on behalf of the Board

“signed”  
 \_\_\_\_\_  
 Director

“signed”  
 \_\_\_\_\_  
 Director

The accompanying notes are an integral part of these financial statements

**Trusted Brand 2016 Inc.**  
**Statements of Loss and Comprehensive Loss**  
*For the years ended December 31,*

	<b>2018</b>	<b>2017</b>
<b>Termination fee (note 11)</b>	\$ -	\$ 25,000
<b>Expenses</b>		
Professional fees	\$ 64,478	\$ 71,149
Finance costs	\$ 128	\$ 23
General and administrative expenses	\$ 82	\$ 14,724
Regulatory and filing fees (note 11)	\$ (14,920)	\$ 40,647
<b>Total expenses</b>	<b>\$ (49,768)</b>	<b>\$ 126,543</b>
<b>Loss and comprehensive loss</b>	<b>\$ (49,768)</b>	<b>\$ (101,543)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
Weighted average common shares outstanding – basic and diluted (Note 5)	<b>2,143,700</b>	<b>2,143,700</b>

The accompanying notes are an integral part of these financial statements

**Trusted Brand 2016 Inc.**  
**Statements of Changes in Shareholders' Equity**  
*For the years ended December 31, 2018 and 2017*

	<b>Common Shares (#)</b>	<b>Share Capital (\$)</b>	<b>Contributed Surplus (\$)</b>	<b>Deficit (\$)</b>	<b>Shareholders' Equity (\$)</b>
As at January 1, 2017	3,962,900	557,986	118,557	(202,003)	474,540
Net loss and comprehensive loss	-	-	-	(101,543)	(101,543)
As at December 31, 2017	3,962,900	557,986	118,557	(303,546)	372,997
Net loss and comprehensive loss	-	-	-	(49,768)	(49,768)
<b>As at December 31, 2018</b>	<b>3,962,900</b>	<b>557,986</b>	<b>118,557</b>	<b>(353,314)</b>	<b>323,229</b>

*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statements of Cash Flows**  
*For the years ended December 31,*

	<b>2018</b>	<b>2017</b>
<b>Cash used in the following activities:</b>		
<b>Operating activities</b>		
Net loss and comprehensive loss	\$ (49,768)	\$ (101,543)
Net change in non-cash operating activities:		
Other receivables	\$ 25,000	\$ (25,000)
Accounts payable and accrued liabilities	\$ 3,682	\$ (21,824)
<b>Cash used in operating activities</b>	<b>\$ (21,086)</b>	<b>\$ (148,367)</b>
Change in cash resources	\$ (21,086)	\$ (148,367)
Cash resources, beginning of year	\$ 365,923	\$ 514,290
<b>Cash resources, end of year</b>	<b>\$ 344,837</b>	<b>\$ 365,923</b>

*The accompanying notes are an integral part of these financial statements*

**1. Nature of operations:**

Trusted Brand 2016 Inc. (the "Corporation") was incorporated under the laws of Alberta on March 4, 2016. The Corporation is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange policies.

The audited financial statements of the Corporation for the years ended December 31, 2018 and 2017 were authorized for issue in accordance with a resolution of the directors on April 15, 2019.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

**2. Basis of preparation:**

***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on January 1, 2018.

***Basis of measurement***

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention, except for financial instruments and share-based compensation.

**3. Significant accounting policies**

***Cash***

Cash consists of the proceeds generated on the issuance of common shares.

***Share-based payments***

The Corporation applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Corporation uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

**3. Significant accounting policies (continued)**

***Taxes***

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

***Current tax***

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred tax***

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

***IFRS 9 Financial Instruments ("IFRS 9")***

Effective January 1, 2018, the Corporation retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 Financial Instruments: Disclosures. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

***Classification and measurement of financial instruments***

The Corporation measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Corporation's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Corporation does not employ hedge accounting for its risk management contracts currently in place.

***Amortized cost***

The Corporation classifies its cash, other receivables, and accounts payable and accrued liabilities measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

3. **Significant accounting policies** (continued)

**Classification and measurement of financial instruments** (continued)

	IAS 39	IFRS 9
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

**Impairment of financial assets**

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, the Corporation's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the receivable.

The Corporation's other receivables are subject to the expected credit loss model under IFRS 9. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Corporation considered historical industry default rates as well as credit ratings of major customers. There were no material adjustments to the carrying value of any of the Corporation's financial instruments following the adoption of IFRS 9.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

**Impairment of financial assets**

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset. If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

**Earnings/loss per share**

Basic earnings or loss per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted earnings or loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units. Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares

**4. Future accounting pronouncements**

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective:

In January 2016, the IASB issued IFRS 16 “Leases”, which replaces IAS 17 “Leases”. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 “Revenue from Contracts with Customers”. The Corporation has assessed the standard and determined that it will not have an impact on the financial statements.

**5. Share capital:**

*Authorized*

Unlimited number of Common Shares and Preferred Shares

<b>Issued common shares</b>	<b>Number of shares</b>	<b>\$</b>
Balance as at January 1, 2017, December 31, 2017, and December 31, 2018	<b>3,962,900</b>	<b>557,986</b>

**Escrow**

The Corporation has issued 1,819,200 Common Shares (December 31, 2017 - 1,819,200) subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval by the Exchange of the Corporation’s Qualifying Transaction. An additional 15% of the escrowed Common Shares will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent’s options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction. These common shares which are considered contingently issuable until the Corporation completes a Qualifying Transaction are not considered to be outstanding for the purposes of the loss per share calculation.

**Stock options**

The Corporation has adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Corporation’s initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

**5. Share capital (continued)**

The following table summarizes information about stock options outstanding:

	Number of options (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
At January 1, 2017	624,580	7.00	0.25
Expired	(101,200)	-	0.25
Balance at December 31, 2017	523,380	5.16	0.25
Expired	(228,290)	-	0.25
<b>As at December 31, 2018</b>	<b>295,090</b>	<b>7.65</b>	<b>0.25</b>

- (i) As part of the IPO, the Corporation granted 396,290 options at \$0.25 per share to the directors and officers of the Corporation exercisable for a period of ten years. The fair value of the directors and officer options was \$88,659. During 2017, 101,200 options expired.
- (ii) The Corporation also granted 228,290 options to the agent at \$0.25 per share exercisable for a period of two years. The fair value of the agent options was \$29,898 and has been included in share issuance costs. All these agents options have expired.

**6. Capital disclosures**

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at year end.

**7. Financial instruments**

The Corporation, as part of its operations, carries financial instruments consisting of cash, other receivables, and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

**7. Financial instruments (continued)**

The carrying amount of cash, other receivables and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

**Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributed to cash. Cash balances are held with the Corporation's major Canadian financial institutions, from which management believes the risk of loss to be remote.

**Liquidity risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Corporation had a cash balance of \$344,837 (December 31, 2017 - \$365,923) to settle future obligations of \$21,608 (December 31, 2017 - \$17,926). All the Corporation's financial liabilities have contractual maturities of 30 days and are due on demand and are subject to normal track terms.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. As at December 31, 2018, the Corporation is not materially exposed to any market risks.

**8. Taxes**

The net income tax provision differs from that expected by applying the Canadian corporate rate due to the following:

	<b>2018</b>	2017
Loss before income tax	<b>(49,768)</b>	(101,543)
Statutory tax rate	<b>27%</b>	27%
Expected tax recovery	<b>(13,437)</b>	(27,417)
Tax benefit not recognized	<b>13,437</b>	27,417
Income tax expense	-	-

The Corporation has gross temporary differences of the following:

	<b>2018</b>	2017
Share issuance costs	<b>77,708</b>	122,256
Loss carry-forwards	<b>379,627</b>	285,311
Unrecognized deductible temporary differences	<b>457,335</b>	407,567

As at December 31, 2018, the Corporation has non-capital loss carry-forwards of \$379,627 available to reduce future years' income for tax purposes. These losses, if not fully utilized, will begin to expire in 2036.

**9. Related party transactions**

Key management include all officers and directors of the Corporation and did not earn compensation for their services. At year end, included in accounts payable and accrued liabilities is \$nil (December 31, 2017 - \$nil) related to key management compensation.

**10. Subsequent events**

The Board of Directors has approved the grant of 101,200 options that have as exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out.

On December 10, 2018, the Corporation received notice from the Exchange that if it must satisfy certain conditions by March 11, 2019, or it will be delisted from trading on the Exchange. The conditions require the Corporation to either:

- (i) complete its Qualifying Transaction by March 11, 2019; or
- (ii) receive shareholder approval to transfer the listing of its common shares to the NEX trading board of the Exchange and cancel up to 1,680,000 common shares held by the current directors and officers of the Corporation

On March 11, 2019, the Corporation received approval from its shareholders to transfer the listing of its common shares to the NEX trading board and cancel the common shares held by current directors and officers. The approval was granted subject to any extensions to the condition date set by the Exchange. On March 18, 2019, the Exchange provided an extension to the condition date from March 11, 2019 to April 1, 2019. Future extensions are subject to the discretion of the Exchange. As of the date of these financial statements, the Corporation has not yet received notice from the Exchange regarding an additional extension to the condition date nor transfer of its listing to the NEX trading board.

**11. Letter of intent**

On January 30, 2017, the Corporation signed a letter of intent that would have served as the Corporation's Qualifying Transaction. On December 20, 2017, the letter of intent was terminated, and the Corporation received a termination fee of \$25,000 from the target company. Subsequent to the termination, the Corporation recovered an overpayment of filing fees previously remitted to the Exchange.

On May 30, 2018 the Corporation has entered into a non-binding letter of intent (the "LOI") with TheraCann International Benchmark Corporation, an arm's length private corporation (the "TheraCann"). TheraCann is focused in the business of developing and implementing proprietary solutions for production, quality and traceability in regulated cannabis operations. Pursuant to the terms of the LOI, the Corporation, subject to entering into a definitive agreement (the "Transaction Agreement"), has agreed to combine with TheraCann byway of share exchange, merger, amalgamation, arrangement, or other similar form of transaction (the "Transaction"). The Transaction is an arm's length transaction and, when completed, may be considered to be the Qualifying Transaction for the purposes of the Exchange. The Corporation has requested its common shares ("Shares") to be halted by the Exchange pending review of the materials for the Transaction.

**Trusted Brand 2016 Inc.**  
**(A Capital Pool Company)**  
**Financial Statements**

*For the year ended December 31, 2017  
and for the period from incorporation (March 4, 2016) to December 31, 2016  
(Expressed in Canadian dollars)*

## Independent Auditors' Report

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To the Shareholders of Trusted Brand 2016 Inc.:

We have audited the accompanying financial statements of Trusted Brand 2016 Inc., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year December 31, 2017 and the period from incorporation (March 4, 2016) to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trusted Brand 2016 Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the year ended December 31, 2017 and the period from incorporation (March 4, 2016) to December 31, 2016 in accordance with International Financial Reporting Standards.

Calgary, Alberta  
April 27, 2018

*MNP* LLP  
Chartered Professional Accountants

**Trusted Brand 2016 Inc.**  
**Statements of Financial Position**  
*As at December 31,*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current</b>		
Cash (Note 5)	\$ 365,923	\$ 514,290
Trade and other receivables (Note 8)	\$ 25,000	\$ -
	<b>\$ 390,923</b>	<b>\$ 514,290</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	\$ 17,926	\$ 39,750
<b>Shareholders' Equity</b>		
Share capital (Note 6)	\$ 557,986	\$ 557,986
Contributed surplus (Note 6)	\$ 118,557	\$ 118,557
Deficit	\$ (303,546)	\$ (202,003)
	\$ 372,997	\$ 474,540
	<b>\$ 390,923</b>	<b>\$ 514,290</b>

**Nature of operations** (Note 1)

**Subsequent event** (Note 10)

**Approved on behalf of the Board**

*"signed"*

\_\_\_\_\_  
**Director**

*"signed"*

\_\_\_\_\_  
**Director**

**Trusted Brand 2016 Inc.**  
**Statements of Loss and Comprehensive Loss**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

	<b>2017</b>	<b>2016</b>
<b>Termination Fee (Note 8)</b>	\$ 25,000	\$ -
<b>Expenses</b>		
Regulatory and filing fees	\$ 40,647	\$ 16,390
General and administrative expenses	\$ 14,747	\$ 2,604
Professional fees	\$ 71,149	\$ 94,350
Stock based compensation (Note 6)	\$ -	\$ 88,659
<b>Total expenses</b>	<b>\$ 126,543</b>	<b>\$ 202,003</b>
<b>Loss and comprehensive loss</b>	<b>\$ (101,543)</b>	<b>\$ (202,003)</b>
<b>Basic loss per share</b>	<b>\$ (0.05)</b>	<b>\$ (1.04)</b>
<b>Fully diluted loss per share</b>	<b>\$ (0.04)</b>	<b>\$ (1.04)</b>
<b>Weighted average common shares outstanding – Basic and diluted (Note 6)</b>	<b>2,143,700</b>	<b>193,890</b>

*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statement of Changes in Shareholders' Equity**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

	Common Shares (#)	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
As at March 4, 2016	-	-	-	-	-
Share issuance (Note 5)	3,962,900	780,725	-	-	780,725
Share issuance costs (Note 5)	-	(222,739)	-	-	(222,739)
Options issued (Note 5)	-	-	118,557	-	118,557
Net loss and comprehensive loss	-	-	-	(202,003)	(202,003)
<b>As at December 31, 2016</b>	<b>3,962,900</b>	<b>557,986</b>	<b>118,557</b>	<b>(202,003)</b>	<b>474,540</b>
Net loss and comprehensive loss				(101,543)	(101,543)
<b>As at December 31, 2017</b>	<b>3,962,900</b>	<b>557,986</b>	<b>118,557</b>	<b>(303,546)</b>	<b>372,997</b>

*The accompanying notes are an integral part of these financial statements*

**Trusted Brand 2016 Inc.**  
**Statements of Cash Flows**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

	2017	2016
<b>Cash provided by (used by) the following activities:</b>		
<b>Operating Activities</b>		
Net loss and comprehensive loss	\$ (101,543)	\$ (202,003)
Add back items not involving cash:		
Stock based compensation	\$ -	\$ 88,659
Net change in non-cash operating activities:		
Trade and other receivables	\$ (25,000)	\$ -
Trade and other payables	\$ (21,824)	\$ 39,750
<b>Cash used in operating activities</b>	<b>\$ (148,367)</b>	<b>\$ (73,594)</b>
<b>Financing Activities</b>		
Issuance of common shares, net of share issue costs <i>(Note 5)</i>	\$ -	\$ 587,884
<b>Cash provided by financing activities</b>	<b>\$ -</b>	<b>\$ 587,884</b>
Change in cash resources	\$ (148,367)	\$ 514,290
Cash resources, beginning of period	\$ 514,290	\$ -
<b>Cash resources, end of period</b>	<b>\$ 365,923</b>	<b>\$ 514,290</b>

*The accompanying notes are an integral part of these financial statements*

# Trusted Brand 2016 Inc.

## Notes to the Financial Statements

For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016

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### 1. Incorporation and operations

Trusted Brand 2016 Inc. (the "Corporation") was incorporated under the laws of Alberta on March 4, 2016. The Corporation is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange policies.

The audited financial statements of the Corporation for the periods ended December 31, 2017 and 2016 were authorized for issue in accordance with a resolution of the directors on April 27, 2018.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

### 2. Basis of preparation

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on January 1, 2017.

#### **Basis of measurement**

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention, except for certain cash flow information and share-based compensation.

### 3. Significant accounting policies

#### **Cash**

Cash consists of the proceeds generated on the issuance of common shares.

#### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### **Share-based payments**

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**3. Significant accounting policies (continued)**

***Taxes***

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

***Current tax***

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred tax***

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

***Non-derivative financial instruments***

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**3. Significant accounting policies (continued)**

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. Trade and other receivables are included in this category.

***Financial assets at fair value through profit or loss***

An instrument is classified as fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

***Other financial liabilities***

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's other financial liabilities are comprised of accounts payable and accrued liabilities.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

***Impairment of financial assets***

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**3. Significant accounting policies (continued)**

***Earnings/loss per share***

Basic earnings or loss per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted earnings or loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units.

Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares.

***Recent accounting standards***

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation.

- The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. These amendments will be applied by the Corporation on January 1, 2018. The Corporation is currently assessing and quantifying the effect on its financial statements.
- IFRS 15, "Revenue from Contracts with Customers". In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation has assessed that there will be no significant impact on its financial statements from the implementation of this standard.
- IFRS 16, "Leases". In January 2016, the IASB issued IFRS 16, which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". The Corporation is currently assessing and quantifying the effect on its financial statements.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**4. Significant accounting estimates and assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

***Estimates***

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

*Fair value of financial instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Judgements***

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

*Taxes*

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable

*Financial instruments*

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

**5. Cash**

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions may apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**6. Share capital**

*Authorized*

Unlimited number of Common Shares and Preferred Shares

<b>Issued Common Shares</b>	<b>Number of Shares</b>	<b>\$</b>
At incorporation – March 4, 2016	-	-
Issuance of common shares (i)	<b>1,680,000</b>	<b>210,000</b>
Issuance of common shares (ii)	<b>2,282,900</b>	<b>570,725</b>
Share issuance costs (ii)	-	<b>(222,739)</b>
<b>Balance as at December 31, 2016 and 2017</b>	<b>3,962,900</b>	<b>557,986</b>

- i) On March 4, 2016, the Corporation issued 1,680,000 Common Shares of the Corporation at a price of \$0.125 per share for gross proceeds of \$210,000. All 1,680,000 Common Shares are subject to an escrow agreement.
- ii) On November 30, 2016, the Corporation issued 2,282,900 common shares at a price of \$0.25 per common share for gross proceeds of \$570,725 related to the Corporation's Initial Public Offering ("IPO"). The Corporation incurred share issuance costs of \$192,841 plus \$29,898 of agent options which have been applied against share capital. Of the shares issued, 139,200 additional Common Shares are subject to an escrow agreement.

**Escrow**

The Corporation has issued 1,819,200 Common Shares (December 31, 2016 - 1,680,000) subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval by the Exchange of the Corporation's Qualifying Transaction. An additional 15% of the escrowed Common Shares will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction.

These common shares, which are considered contingently issuable with the completion of a qualifying transaction, are not considered to be outstanding for purpose of the loss per share calculation.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

**6. Share capital (continued)**

**Stock options**

The Corporation has adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Corporation's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

The following table summarizes information about stock options outstanding:

	Number of options (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
At incorporation	-		-
Issued to directors and officers (i)	295,090	8.65	0.25
Issued to agent (i)	228,290	0.65	0.25
<b>As at December 31, 2017</b>	<b>523,380</b>	<b>5.16</b>	<b>0.25</b>

- i) As part of the IPO, the Corporation granted 396,290 options at \$0.25 per share to the directors and officers of the Corporation exercisable for a period of ten years. The fair value of the directors and officer options is \$88,659. During 2017, 101,200 options have expired.
- ii) The Corporation also granted 228,290 options to the agent at \$0.25 per share exercisable for a period of two years. The fair value of the agent options is \$29,898 and has been included in share issuance costs. At December 31, 2017, 523,380 (December 31, 2016 – 624,580) options are outstanding and exercisable.

The Black-Scholes option pricing model was used to estimate the fair value of options on the date of grant using the following assumptions:

	Expiry (year)	Risk- free interest rate (%)	Expect ed life (years)	Expected dividend yield (%)	Expected volatility (%)	Forfeiture Rate (%)
<b>Directors and officers</b>	<b>2026</b>	<b>1.58</b>	<b>10</b>	<b>0.0</b>	<b>100</b>	<b>0.0</b>
<b>Agent</b>	<b>2018</b>	<b>0.70</b>	<b>2</b>	<b>0.0</b>	<b>100</b>	<b>0.0</b>

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**7. Capital disclosures**

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at period end.

**8. Financial instruments**

The Corporation, as part of its operations, carries financial instruments consisting of cash trade and other receivables and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

**8. Financial instruments (continued)**

**Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributed to cash and trade and other receivables. Cash balances are held with the Corporation's lawyers or large Canadian financial institutions, from which management believes the risk of loss to be remote. Trade and other receivables represents a termination fee receivable from proposed qualifying transaction that was terminated. This amount has been received subsequent to the year end.

**Liquidity Risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Corporation had cash balance of \$365,923 (December 31, 2016 - \$514,290) to settle future obligations of \$17,926 (December 31, 2016 - \$39,750). All the Corporation's financial liabilities have contractual maturities of 30 days and are due on demand and are subject to normal track terms.

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. As at December 31, 2017, the Corporation is not materially exposed to any market risks.

**9. Taxes**

The net income tax provision differs from that expected by applying the Canadian corporate rate due to the following:

	<b>2017</b>	<b>2016</b>
Loss before income tax	<b>(101,543)</b>	<b>(202,003)</b>
Statutory tax rate	<b>27%</b>	<b>27%</b>
Expected tax recovery	<b>(27,417)</b>	<b>(54,541)</b>
Share-based payments	-	<b>23,938</b>
Tax benefit not recognized	<b>27,417</b>	<b>30,603</b>
Income tax expense	-	-

The Company has gross temporary differences of the following:

	<b>2017</b>	<b>2016</b>
Share issuance costs	<b>122,256</b>	<b>160,930</b>
Loss carry-forwards	<b>285,311</b>	<b>145,255</b>
Unrecognized deductible temporary differences	<b>407,567</b>	<b>306,185</b>

As at December 31, 2017, the Company has non-capital loss carry-forwards of \$285,311 available to reduce future years' income for tax purposes. These losses, if not fully utilized, will begin to expire in 2036.

**Trusted Brand 2016 Inc.**  
**Notes to the Financial Statements**

*For the year ended December 31, 2017 and from incorporation (March 4, 2016) to December 31, 2016*

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**10. Subsequent events**

The Board of Directors has approved the grant of 101,200 options that have an exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out.

On February 13, 2018 the Company has entered into a non-binding letter of intent (the "LOI") with an arm's length private company (the "Target"). The Target has offers to purchase three ACMRP stage 5 licensees in Ontario and one stage 4 licensee in Alberta for a total of 372,500 square feet of production space. These acquisitions are expected to close prior to the completion of the Transaction (as defined herein).

Pursuant to the LOI, the Corporation, subject to entering into a definitive agreement (the "Transaction Agreement"), has agreed to combine with the Target by way of share exchange, merger, amalgamation, arrangement, or other similar form of transaction (the "Transaction").

**Trusted Brand 2016 Inc.**  
**(A Capital Pool Company)**  
**Condensed interim financial statements**  
*For the three months ended March 31, 2020 and 2019*  
*(Expressed in Canadian dollars)*

**Trusted Brand 2016 Inc.**  
**Condensed Interim Statements of Financial Position**

As at,  
**March 31,**      **December 31,**  
**2020**              **2019**  
**(Unaudited)**      **(Audited)**

**Assets**

**Current**

Cash	\$	<b>167,933</b>	\$	218,904
Deposit	\$	<b>6,522</b>	\$	-
<b>Total Assets</b>	<b>\$</b>	<b>174,455</b>	<b>\$</b>	<b>218,904</b>

**Liabilities**

**Current**

Accounts payable and accrued liabilities	\$	<b>4,022</b>	\$	19,000
<b>Total Liabilities</b>	<b>\$</b>	<b>4,022</b>	<b>\$</b>	<b>19,000</b>

**Shareholders' Equity**

Share capital (Note 3)	\$	<b>557,986</b>	\$	557,986
Contributed surplus	\$	<b>118,557</b>	\$	118,557
Deficit	\$	<b>(506,110)</b>	\$	(476,639)
<b>Total Shareholders' Equity</b>	<b>\$</b>	<b>170,433</b>	<b>\$</b>	<b>199,904</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$</b>	<b>174,455</b>	<b>\$</b>	<b>218,904</b>

**Nature of operations (Note 1)**

**Share purchase agreement (Note 7)**

**Approved on behalf of the Board of Directors**

*"signed"*

**Director**

*"signed"*

**Director**

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

**Trusted Brand 2016 Inc.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
*For the three months ended March 31, 2020 and March 31, 2019*

	March 31, 2020 <i>(Unaudited)</i>	March 31, 2019 <i>(Unaudited)</i>
<b>Expenses</b>		
Professional fees	\$ 22,989	\$ 17,551
Finance costs	\$ 67	\$ 59
General and administrative expenses	\$ -	\$ 9,179
Regulatory and filing fees	\$ 6,415	\$ 5,460
<b>Total expenses</b>	<b>\$ 29,471</b>	<b>\$ 32,249</b>
<b>Loss and comprehensive loss</b>	<b>\$ (29,471)</b>	<b>\$ (32,249)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
Weighted average common shares outstanding – basic and diluted <i>(Note 3)</i>	<b>2,143,700</b>	2,143,700

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

**Trusted Brand 2016 Inc.**  
**Condensed Interim Statements of Changes in Shareholders' Equity**  
*For the three months ended March 31, 2020*  
*(Unaudited)*

	<b>Common Shares (#)</b>	<b>Share Capital (\$)</b>	<b>Contributed Surplus (\$)</b>	<b>Deficit (\$)</b>	<b>Shareholders' Equity (\$)</b>
As at December 31, 2018	3,962,900	557,986	118,557	(353,314)	323,229
Loss and comprehensive loss	-	-	-	(32,249)	(32,249)
As at March 31, 2019	3,962,900	557,986	118,557	(385,583)	290,980
As at December 31, 2019	3,962,900	557,986	118,557	(476,639)	199,904
Loss and comprehensive loss	-	-	-	(29,471)	(29,471)
<b>As at March 31, 2020</b>	<b>3,962,900</b>	<b>557,986</b>	<b>118,557</b>	<b>(506,110)</b>	<b>170,433</b>

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

**Trusted Brand 2016 Inc.**  
**Condensed Interim Statements of Cash Flows**  
*For the three months ended March 31, 2020 and March 31, 2019*

		<b>March 31, 2020 (Unaudited)</b>		March 31, 2019 (Unaudited)
<b>Cash used in the following activities:</b>				
<b>Operating activities</b>				
Loss and comprehensive loss	\$	(29,471)	\$	(32,249)
Net change in non-cash operating activities:				
Deposit	\$	(6,522)	\$	-
Accounts payable and accrued liabilities	\$	(14,978)	\$	3,951
<b>Cash used in operating activities</b>	<b>\$</b>	<b>(50,971)</b>	<b>\$</b>	<b>(28,298)</b>
Change in cash resources	\$	(50,971)	\$	(28,298)
Cash resources, beginning of period	\$	218,904	\$	344,837
<b>Cash resources, end of period</b>	<b>\$</b>	<b>167,933</b>	<b>\$</b>	<b>316,539</b>

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

**1. Nature of operations**

Trusted Brand 2016 Inc. (the "Corporation") was incorporated under the laws of Alberta on March 4, 2016. The Corporation is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange policies.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

The Corporation issued 1,680,000 common shares ("Seed Shares") for an amount of \$210,000, and on September 12, 2016, the Corporation's prospectus for an Initial Public Offering ("IPO") of the Corporation's common shares was accepted by the regulatory authorities. The IPO closed on November 30, 2016 and a total of 2,282,900 common shares were issued at a price of \$0.25 per common share. The Corporation's shares trade under the symbol HAH.P.

**2. Basis of preparation**

***Statement of compliance***

The condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting and follow the same accounting policies and methods of computation as the most recent annual financial statements.

Certain information and disclosures normally required to be included in the notes to the financial statements have been condensed or omitted. Accordingly, the condensed interim financial statements should be read in conjunction with the annual financial statements for the year-ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed interim financial statements of the Corporation were authorized for issue in accordance with a resolution of the Directors on July 28, 2020.

***Basis of measurement***

These condensed interim financial statements were prepared on a going concern basis, under the historical cost convention, except for financial instruments and share-based compensation.

***Use of estimates and judgments***

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

***Functional and presentation currency***

These condensed interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

**Trusted Brand 2016 Inc.**  
**Notes to the Condensed Interim Financial Statements**  
*For the three months ended March 31, 2020 and 2019*

**3. Share capital**

*Authorized*

Unlimited number of Common Shares and Preferred Shares

<b>Issued common shares</b>	<b>Number of shares</b>	<b>\$</b>
Balance as at December 31, 2019, and March 31, 2020	<b>3,962,900</b>	<b>557,986</b>

**Escrow**

The Corporation has issued 1,819,200 Common Shares (December 31, 2019 - 1,819,200) subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval by the Exchange of the Corporation's Qualifying Transaction. An additional 15% of the escrowed Common Shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction. These common shares which are considered contingently issuable until the Corporation completes a Qualifying Transaction are not considered to be outstanding for the purposes of the loss per share calculation.

**4. Capital disclosures**

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at period end.

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Corporation's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated. The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital. These items may have a direct adverse impact on the Corporation's ability to close its proposed Qualifying Transaction (note 7).

**5. Financial instruments**

The Corporation, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

# Trusted Brand 2016 Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

- 
- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

### **Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributed to cash. Cash balances are held with the Corporation's major Canadian financial institution, from which management believes the risk of loss to be remote.

### **Liquidity risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, the Corporation had a cash balance of \$167,933 (December 31, 2019 - \$218,904) to settle future obligations of \$4,022 (December 31, 2019 - \$19,000). All the Corporation's financial liabilities have contractual maturities of 30 days and are due on demand.

### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. As at March 31, 2020, the Corporation is not materially exposed to any market risks.

## **6. Related party transactions**

Key management include all officers and directors of the Corporation and did not earn compensation for their services. At period end, included in accounts payable and accrued liabilities is \$nil (December 31, 2019 - \$nil) related to key management compensation.

## **7. Share purchase agreement**

On June 19, 2020, the Corporation entered into a Share Purchase Agreement with 1421526 Alberta Ltd. ("1421526 Ltd."), Lui Holdings Corporation ("Lui Holdings") and 991799 Alberta Ltd. ("991799 Ltd."), all private Alberta corporations, pursuant to which the parties agreed to complete the Proposed Qualifying Transaction on the terms set out therein. Pursuant to the Share Purchase Agreement, upon closing of the Proposed Qualifying Transaction, the Corporation will acquire all of the issued and outstanding Class "A" common voting shares in the capital of 1421526 Ltd. together with all of the shareholder loans on a converted to equity basis (collectively the "Shareholder Interest") for a total purchase price equal to the aggregate of the fair market value of the Shareholder Interest for the following consideration:

- The issuance of 15,800,000 Common Shares with a fair market value of \$0.20 per Common Share for an aggregate purchase price of \$3,160,000;
- The issuance of 21,062,905 Series I Preferred Shares with a fair market value of \$0.20 per Series I Preferred Share for an aggregate purchase price of \$4,212,581. The Series I Preferred Shares are exchangeable on a one-to-one basis into Common Shares of the Corporation, subject to approval of the Exchange based on appropriate share distribution being satisfied; and,
- The assumption of 1421526 Ltd.'s commitment pursuant to its shareholder loans with each of 991799 Ltd. and Lui Holdings in the amount of \$498,635 and \$3,457,207, respectively. The shareholder loans in the aggregate amount of \$3,955,842 will be converted into a total of 1 9,779,209 Series II Preferred Shares with 17,286,033 and 2,493,175 being issued to Lui Holdings and 991799 Ltd., respectively.

**Trusted Brand 2016 Inc.**  
**Notes to the Condensed Interim Financial Statements**

*For the three months ended March 31, 2020 and 2019*

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In addition, the Corporation has assumed a bank loan of 1421526 Ltd. in the form of a first mortgage registered on 1421526 Ltd.'s property from Canada Western Bank in the aggregate amount of \$2,571,731 as at April 30, 2020.

There are currently one hundred (100) 1421526 Ltd. Common Shares issued and outstanding. As there are currently a total of 3,962,900 of the Corporation's Common Shares issued and outstanding and 396,290 of the Corporation's Common Shares reserved for issuance pursuant to the exercise of the Corporation's Options, after giving effect to the Share Purchase Agreement, there will be a total of 3,962,900 Resulting Issuer Common Shares and 396,290 Resulting Issuer Options held by former holders of the Corporation's Common Shares and Corporation's Options. Upon Closing of the Proposed Qualifying Transaction, there will be 63,105,013 Resulting Issuer Shares and 4,452,580 Resulting Issuer Options issued and outstanding.

The consideration payable for the 1421526 Shares was determined in arm's length negotiations between the Corporation and 1421526 Ltd. based on certain factors such as: (i) the expertise of the management of 1421526 Ltd.; and (ii) the anticipated future profits of 1421526 Ltd. The Share Purchase Agreement was presented and approved by the shareholders of 1421526 Ltd. on June 19, 2020. 1421526 Ltd. is the legal and beneficial owner of certain property municipally located at 9700 – 105<sup>th</sup> Avenue NW, Edmonton, Alberta.

At or prior to the closing of the Share Purchase Agreement, there shall be a private placement (the "Private Placement") of up to 2,500,000 units ("Units") of the Corporation, at an offering price of \$0.20 per Unit, for gross proceeds of up to \$500,000. Each Unit shall be comprised of one (1) Common Share and one (1) Common Share Purchase Warrant ("Warrant"). Each Warrant entitles the holder to purchase one (1) additional Common Share at a price of \$0.30 per Common Share for a period of three (3) years following the date of closing (the "Term"). In the event the Corporation's Common Shares close at a price of equal to or greater than \$0.50 per Common Share for a period of greater than twenty (20) consecutive trading days, then the Term of the Warrants shall be automatically accelerated and shortened from three (3) years to thirty (30) calendar days following the date a press release is issued by the Corporation announcing the reduced Term, and the issuance of the press release shall be deemed sufficient notice to all Warrant holders of the shortened Term as a result of the acceleration. The proceeds from the Private Placement will be used for general working capital.

## **APPENDIX "B"**

Management's Discussion & Analysis (MD&A) of Trusted Brand 2016 Inc. in connection with the years ended December 31, 2019, December 31, 2018 and December 31, 2017 and unaudited interim financial statements for the period ended March 31, 2020

# **Trusted Brand 2016 Inc.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS FOR PERIOD ENDED December 31, 2019**

The following discussion and analysis should be read in conjunction with the December 31, 2019 audited Financial Statements and the December 31, 2018 audited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). The financial statements and financial data contained in this discussion and analysis is presented in accordance with IFRS.

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

### **DATE**

This MD&A is dated March 11, 2020 and is in respect of the period ended December 31, 2019. The discussion in this management's discussion and analysis focuses on this period.

### **FORWARD LOOKING INFORMATION**

The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Corporation statements herein contain forward-looking statements relating to the operations or to the environment in which we operate, which are based on our operations, forecasts, and projections. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results may differ materially from those anticipated in these forward-looking statements. The risks include those outlined under the "Risk Factors and Uncertainties" section of this MD&A and elsewhere in the Corporation's public disclosure documents.

### **DESCRIPTION OF TRUSTED BUSINESS AND OVERALL PERFORMANCE**

Trusted Brand 2016 Inc. ("Trusted" or the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on March 4, 2016. The Corporation is a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the "Exchange"). The Corporation proposes to identify and evaluate corporations, business or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading. The Corporation has been evaluating various business opportunities that could become its Qualifying Transaction (as such term is defined in Exchange policies).

The Board of Directors has approved the grant of 101,200 options that have as exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out.

On December 10, 2018, the Corporation received notice from the Exchange that it must satisfy certain conditions by March 11, 2019, or it will be delisted from trading on the Exchange. The conditions require the Corporation to either:

- (i) complete its Qualifying Transaction by March 11, 2019; or
- (ii) receive shareholder approval to transfer the listing of its common shares to the NEX trading board of the Exchange and cancel up to 1,680,000 common shares held by the current directors and officers of the Corporation

On March 11, 2019, the Corporation received approval from its shareholders to transfer the listing of its common shares to the NEX trading board and cancel the common shares held by current directors and officers. The approval was granted subject to any extensions to the condition date set by the Exchange. On March 18, 2019, the Exchange provided an extension to the condition date from March 11, 2019 to April 1, 2019. Future extensions are subject to the discretion of the Exchange. As of the date of these condensed interim financial statements, the Corporation has not yet received notice from the Exchange regarding an additional extension to the condition date nor transfer of its listing to the NEX trading board.

On May 31, 2019, the Corporation entered into a definitive agreement with TheraCann International Benchmark Corporation ("TheraCann"), an arm's length private corporation. Pursuant to the agreement, the Corporation and 2172014 Alberta Ltd. a wholly owned subsidiary of TheraCann, intend to complete a business combination to form a new company which will continue as a wholly owned subsidiary of TheraCann (the "Transaction"). Pursuant to the proposed Transaction, the common shares of the Corporation will be consolidated on a basis of one (1) new common share for each existing 18.75 common shares of the Corporation. The current shareholders of the Corporation will hold approximately 1.32% of the outstanding Resulting Issuer Shares. It is anticipated that the completion of the Transaction will constitute the Corporation's Qualifying Transaction.

Pursuant to the Transaction, the parties intend to use their "commercially reasonable efforts" to cause TheraCann to complete a brokered private placement of up to \$15,000,000 Subscription Receipts. Each Subscription Receipt will entitle the holder thereof to receive one Unit consisting of one Resulting Issuer common share and one half (1/2) common share purchase warrant of the Resulting Issuer. Each whole Resulting Issuer Warrant will entitle the holder to acquire one (1) Resulting Issuer Share at a price equal to a 25% premium to the issue price for a period of 24 months following the closing date of the Transaction.

TheraCann has engaged Laurentian Bank Securities Inc. to act as lead agent in connection with the brokered private placement of Subscription Receipts. The agent will receive a cash commission equal to 7.0% of the aggregate gross proceeds of the Subscription Receipt Financing as well as an option to purchase up to an additional 7.0% of the number of Resulting Issuer Shares issued upon settlement and conversion of the Subscription Receipt Units.

The gross proceeds from the brokered private placement will be held in escrow until satisfaction of the escrow release conditions, including the confirmation that all conditions precedent to the Transaction, other than the release of the Escrowed Proceeds, have been satisfied. In the event that the Escrow Release Conditions are not met by the date which is three months from the closing date of the brokered private placement, the escrowed proceeds together with accrued interest thereon, shall be returned to the purchasers pro rata and the Subscription Receipts shall be automatically cancelled.

The Transaction is subject to the receipt of all necessary regulatory and shareholder approvals required by the Exchange, applicable corporate law, and the Corporation's shareholder's agreement, as well as, the satisfaction of conditions to closing as set out in the definitive agreement.

On September 19, 2019 - TRUSTED BRAND 2016 INC. (the "Corporation"), a capital pool company under Policy 2.4 of the TSX Venture Exchange (the "TSXV") announces, that its previously announce amalgamation agreement with Theracann International Benchmark Corporation ("Theracann") has been terminated by Theracann and the proposed business combination will not proceed. The Corporation will resume its process of identifying and evaluating businesses and assets with a view to completing a potential qualifying transaction pursuant to the TSXV's CPC Policy. As a capital pool

company, the Corporation is not permitted to carry on any business other than the identification and evaluation of assets or businesses for the purpose of completing a qualifying transaction under the TSXV's CPC Policy

On January 31, 2020, the Corporation signed a binding letter of intent with 1421526 Alberta Ltd, an arm's length private corporation (the "Transaction"). 1421526 Alberta Ltd. is focused on real estate development in Edmonton, Alberta. Pursuant to the terms of the Transaction, the Corporation will acquire from the shareholders of 1421526 Alberta Ltd. all of the issued and outstanding shares of 1421526 Alberta Ltd. in exchange for 17,000,000 Common Shares of the Corporation at \$0.20 per Common Share. The resulting issuer will issue a further 21,000,000 preferred shares to \$0.20 per preferred share. The preferred shares will be convertible into one common share of the resulting issuer.

## SELECTED FINANCIAL INFORMATION

### Selected Quarterly Statement of Operations Data

	December 31, 2019	September,30 2019	June,30 2019	March 31, 2019
Expenses	23,144	\$ 13,057	\$ 54,875	\$ 32,249
Net loss for the period	(23,144)	\$ (13,057)	\$ (54,875)	\$ (32,249)
Basic loss per share	(0.01)	\$ (0.00)	\$ (0.03)	\$ (0.02)
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Expenses	\$ 22,494	\$ 19,403	\$ 15,248	\$ 13,585
Net loss for the period	\$ (1,494)	\$ (19,403)	\$ (15,248)	\$ (13,585)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Expenses	\$ 24,550	\$ 3,496	\$ 23,282	\$ 77,137
Net loss for the period	\$ 450	\$ (3,496.00)	\$ (23,282)	\$ (77,137)
Basic loss per share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.04)
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Expenses	\$ 193,343	\$ 1,770	\$ 3,265	\$ 3,625
Net loss for the period	\$ (193,343)	\$ (1,770)	\$ (3,265)	\$ (3,625)
Basic loss per share	\$ (1.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variances in net loss by quarter will reflect overall corporate activity and factors which do not recur each quarter, such as interest income on fluctuating cash balances, professional and regulatory fees related to evaluation of potential Qualifying Transactions.

## RESULTS OF OPERATIONS

During Year ended December 31, 2019 the Corporation incurred a loss of \$123,325 (December 31, 2018 - \$49,768). The loss primarily relates to professional fees of \$114,533 (December 31, 2018 - \$64,478) incurred during the evaluation of various business opportunities, and general and administrative expenses.

## **OUTSTANDING SHARE DATA**

### **Common Shares**

As at December 31, 2019 and the date of this MD&A, the Corporation had 3,962,900 (December 31, 2018 – 3,962,900) common shares issued and outstanding.

Pursuant to an escrow agreement dated as of May 3, 2016 among the Corporation, Computershare Trust Company of Canada and certain shareholders of the Corporation, 1,819,200 common shares, being issued and outstanding common shares prior to the completion of the initial public offering, plus shares acquired by principals pursuant to the initial public offering, have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the Exchange, common shares held pursuant to the escrow agreement shall be released as to 10% of the total escrowed shares immediately following the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction and 15% of the total escrowed shares shall be released every six months commencing six months following the initial release.

## **ARBITRARY SHARE DATA**

Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2019, the Corporation had net working capital of \$199,904 (December 31, 2018 - \$323,229) comprised of cash less accounts payable and accrued liabilities, which management considers being sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS**

The Corporation, as part of its operations, carries financial instruments consisting of cash. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

## **FAIR VALUE**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash in trust is determined on level 1 inputs. The carrying amount of cash in trust approximates their fair value due to the short-term maturities of these items.

## **CREDIT RISK**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation believes it has no significant credit risk.

## **LIQUIDITY RISK**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Corporation had a cash balance of \$218,904 (December 31, 2018 - \$344,837) to settle future obligations.

## **MARKET RISK**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation has no market risks.

## **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

## **RISK FACTORS AND UNCERTAINTIES**

The business risk factors applicable to the Corporation have not materially changed since the prospectus dated June 13, 2016 and filed on [www.sedar.com](http://www.sedar.com) on September 9, 2016.

## **CAPITAL RISK MANAGEMENT**

The Corporation defines capital as total equity which was \$199,904 at December 31, 2019 (December 31 2018 - \$323,229). Its principal source of cash is from the issuance of common shares. The Corporations capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

**OUTLOOK**

The Corporation is currently working towards completing its proposed Qualifying Transaction with the targeted private company.

**OTHER INFORMATION**

The policies of the Exchange prohibit CPC's from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the directors and officers of the Corporation. Additional information about the corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

# **Trusted Brand 2016 Inc.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS FOR PERIOD ENDED December 31, 2018**

The following discussion and analysis should be read in conjunction with the December 31, 2018 and the December 31, 2017 audited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). The financial statements and financial data contained in this discussion and analysis is presented in accordance with IFRS.

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

### **DATE**

This MD&A is dated April 16, 2018 and is in respect of the period ended December 31, 2018. The discussion in this management's discussion and analysis focuses on this period.

### **FORWARD LOOKING INFORMATION**

The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Corporation statements herein contain forward-looking statements relating to the operations or to the environment in which we operate, which are based on our operations, forecasts, and projections. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results may differ materially from those anticipated in these forward-looking statements. The risks include those outlined under the "Risk Factors and Uncertainties" section of this MD&A and elsewhere in the Corporation's public disclosure documents.

### **DESCRIPTION OF TRUSTED BUSINESS AND OVERALL PERFORMANCE**

Trusted Brand 2016 Inc. ("Trusted" or the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on March 4, 2016. The Corporation is a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the "Exchange"). The Corporation proposes to identify and evaluate corporations, business or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading. The Corporation has been evaluating various business opportunities that could become its Qualifying Transaction (as such term is defined in Exchange policies).

The Board of Directors has approved the grant of 101,200 options that have an exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out.

On May 30, 2018 the Company has entered into a non-binding letter of intent (the "LOI") with TheraCann International Benchmark Corporation, an arm's length private company (the "TheraCann"). TheraCann is focused in the business of developing and implementing proprietary solutions for production, quality and traceability in regulated cannabis operations. Pursuant to the terms of the LOI, the Corporation, subject to entering into a definitive agreement (the "Transaction Agreement"), has agreed to combine with TheraCann by way of share exchange, merger, amalgamation, arrangement, or other similar form of transaction (the "Transaction"). The Transaction is an arm's length transaction and, when completed, may be considered to be the Qualifying Transaction for the purposes of the

TSX Venture Exchange Inc. (the "Exchange"). The Corporation has requested its common shares ("Shares") to be halted by the Exchange pending review of the materials for the Transaction.

## SELECTED FINANCIAL INFORMATION

### Selected Quarterly Statement of Operations Data

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Expenses	\$ 22,494	\$ 19,403	\$ 15,248	\$ 13,585
Net loss for the period	\$ (1,494)	\$ (19,403)	\$ (15,248)	\$ (13,585)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

  

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Expenses	\$ 24,550	\$ 3,496	\$ 23,282	\$ 77,137
Net loss for the period	\$ 450	\$ (3,496)	\$ (23,282)	\$ (77,137)
Basic loss per share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.04)

  

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Expenses	\$ 193,343	\$ 1,770	\$ 3,265	\$ 3,625
Net loss for the period	\$ (193,343)	\$ (1,770)	\$ (3,265)	\$ (3,625)
Basic loss per share	\$ (1.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variances in net loss by quarter will reflect overall corporate activity and factors which do not recur each quarter, such as interest income on fluctuating cash balances, professional and regulatory fees related to evaluation of potential Qualifying Transactions.

## RESULTS OF OPERATIONS

During period ended December 31, 2018 the Corporation incurred a loss of \$49,768 (2017 - \$101,543). The loss primarily relates to professional fees of \$64,478 (2017 - \$71,149) incurred during the evaluation of various business opportunities, and general and administrative expenses.

## OUTSTANDING SHARE DATA

### Common Shares

As at December 31, 2018 and the date of this MD&A, the Corporation had 3,962,900 (2018 – 3,962,900) common shares issued and outstanding.

Pursuant to an escrow agreement dated as of May 3, 2016 among the Corporation, Computershare Trust Company of Canada and certain shareholders of the Corporation, 1,819,200 common shares, being issued and outstanding common shares prior to the completion of the initial public offering, plus shares acquired by principals pursuant to the initial public offering, have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the Exchange, common shares held pursuant to the escrow agreement shall be released as to 10% of the total escrowed shares immediately following the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction and 15% of the total escrowed shares shall be released every six months commencing six months following the initial release.

## **ARBITRARY SHARE DATA**

Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2018, the Corporation had net working capital of \$323,229 (December 31, 2017 - \$372,997) comprised of cash less accounts payable and accrued liabilities, which management considers being sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS**

The Corporation, as part of its operations, carries financial instruments consisting of cash. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

## **FAIR VALUE**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash in trust is determined on level 1 inputs. The carrying amount of cash in trust approximates their fair value due to the short-term maturities of these items.

## **CREDIT RISK**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation believes it has no significant credit risk.

## **LIQUIDITY RISK**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Corporation had a cash balance of \$344,837 (December 31, 2017 - \$365,923) to settle future obligations.

## **MARKET RISK**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation has no market risks.

## **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on

historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

### **RISK FACTORS AND UNCERTAINTIES**

The business risk factors applicable to the Corporation have not materially changed since the prospectus dated June 13, 2016 and filed on [www.sedar.com](http://www.sedar.com) on September 9, 2016.

### **CAPITAL RISK MANAGEMENT**

The Corporation defines capital as total equity which was \$323,229 at December 31, 2018 (December 31 2017 - \$372,997). Its principal source of cash is from the issuance of common shares. The Corporations capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

### **OUTLOOK**

The Corporation is currently working towards completing its proposed Qualifying Transaction with the targeted private company.

### **OTHER INFORMATION**

The policies of the Exchange prohibit CPC's from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the directors and officers of the Corporation. Additional information about the corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

# **Trusted Brand 2016 Inc.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS FOR PERIOD ENDED DECEMBER 31, 2017**

The following discussion and analysis should be read in conjunction with the December 31, 2017 audited financial statements and the December 31, 2016 audited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). The financial statements and financial data contained in this discussion and analysis is presented in accordance with IFRS.

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

### **DATE**

This MD&A is dated April 27, 2018 and is in respect of the period ended December 31, 2017. The discussion in this management's discussion and analysis focuses on this period.

### **FORWARD LOOKING INFORMATION**

The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Corporation statements herein contain forward-looking statements relating to the operations or to the environment in which we operate, which are based on our operations, forecasts, and projections. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results may differ materially from those anticipated in these forward-looking statements. The risks include those outlined under the "Risk Factors and Uncertainties" section of this MD&A and elsewhere in the Corporation's public disclosure documents.

### **DESCRIPTION OF TRUSTED BUSINESS AND OVERALL PERFORMANCE**

Trusted Brand 2016 Inc. ("Trusted" or the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on March 4, 2016. The Corporation is a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the "Exchange"). The Corporation proposes to identify and evaluate corporations, business or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading. The Corporation has been evaluating various business opportunities that could become its Qualifying Transaction (as such term is defined in Exchange policies).

The Board of Directors has approved the grant of 101,200 options that have as exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out. On February 13, 2018 the Company has entered into a non-binding letter of intent (the "LOI") with an arm's length private company (the "Target"). The Target has offers to purchase three ACMRP stage 5 licensees in Ontario and one stage 4 licensee in Alberta for a total of 372,500 square feet of production space. These acquisitions are expected to close prior to the completion of the Transaction (as defined herein). Pursuant to the LOI, the Corporation, subject to entering into a definitive agreement (the "Transaction Agreement"), has agreed to combine with the Target by way of share exchange, merger, amalgamation, arrangement, or other similar form of transaction (the "Transaction").

## SELECTED FINANCIAL INFORMATION

### Selected Quarterly Statement of Operations Data

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Expenses	\$ 24,550	\$ 3,496	\$ 23,282	\$ 77,137
Net loss for the period	\$ 450	\$ (3,496)	\$ (23,282)	\$ (77,137)
Basic loss per share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.04)

  

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Expenses	\$ 193,343	\$ 1,770	\$ 3,265	\$ 3,625
Net loss for the period	\$ (193,343)	\$ (1,770)	\$ (3,265)	\$ (3,625)
Basic loss per share	\$ (1.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variances in net loss by quarter will reflect overall corporate activity and factors which do not recur each quarter, such as interest income on fluctuating cash balances, professional and regulatory fees related to evaluation of potential Qualifying Transactions.

### RESULTS OF OPERATIONS

During period ended December 31, 2017 the Corporation incurred a loss of \$101,543 (2016 - \$202,003). The loss primarily relates to professional fees of \$71,149 (2016 - \$94,350) incurred during the evaluation of various business opportunities, and general and administrative expenses.

### OUTSTANDING SHARE DATA

#### Common Shares

As at December 31, 2017 and the date of this MD&A, the Corporation had 3,962,900 (2016 – 1,680,000) common shares issued and outstanding.

Pursuant to an escrow agreement dated as of May 3, 2016 among the Corporation, Computershare Trust Company of Canada and certain shareholders of the Corporation, 1,819,200 common shares, being issued and outstanding common shares prior to the completion of the initial public offering, plus shares acquired by principals pursuant to the initial public offering, have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the Exchange, common shares held pursuant to the escrow agreement shall be released as to 10% of the total escrowed shares immediately following the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction and 15% of the total escrowed shares shall be released every six months commencing six months following the initial release.

## **ARBITRARY SHARE DATA**

Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2017, the Corporation had net working capital of \$372,997 (December 31, 2016 - \$474,540) comprised of cash less accounts payable and accrued liabilities, which management considers being sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS**

The Corporation, as part of its operations, carries financial instruments consisting of cash in trust. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

## **FAIR VALUE**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash in trust is determined on level 1 inputs. The carrying amount of cash in trust approximates their fair value due to the short-term maturities of these items.

## **CREDIT RISK**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation believes it has no significant credit risk.

## **LIQUIDITY RISK**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Corporation had a cash, in trust, balance of \$365,923 (December 31, 2016 - \$514,290) to settle future obligations.

## **MARKET RISK**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation has no market risks.

## **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on

historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

#### **RISK FACTORS AND UNCERTAINTIES**

The business risk factors applicable to the Corporation have not materially changed since the prospectus dated June 13, 2016 and filed on [www.sedar.com](http://www.sedar.com) on September 9, 2016.

#### **CAPITAL RISK MANAGEMENT**

The Corporation defines capital as total equity which was \$372,997 at December 31, 2017 (December 31 2016 - \$474,540). Its principal source of cash is from the issuance of common shares. The Corporations capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

#### **OUTLOOK**

The Corporation is currently working towards completing its proposed Qualifying Transaction with the targeted private company.

#### **OTHER INFORMATION**

The policies of the Exchange prohibit CPC's from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the directors and officers of the Corporation. Additional information about the corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

# **Trusted Brand 2016 Inc.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS FOR PERIOD ENDED March 31, 2020**

The following discussion and analysis should be read in conjunction with the March 31, 2020 Condensed Interim Financial Statements and the December 31, 2019 audited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). The financial statements and financial data contained in this discussion and analysis is presented in accordance with IFRS.

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

### **DATE**

This MD&A is dated June 1, 2020 and is in respect of the period ended March 31, 2020. The discussion in this management's discussion and analysis focuses on this period.

### **FORWARD LOOKING INFORMATION**

The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Corporation statements herein contain forward-looking statements relating to the operations or to the environment in which we operate, which are based on our operations, forecasts, and projections. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results may differ materially from those anticipated in these forward-looking statements. The risks include those outlined under the "Risk Factors and Uncertainties" section of this MD&A and elsewhere in the Corporation's public disclosure documents.

### **DESCRIPTION OF TRUSTED BUSINESS AND OVERALL PERFORMANCE**

Trusted Brand 2016 Inc. ("Trusted" or the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on March 4, 2016. The Corporation is a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the "Exchange"). The Corporation proposes to identify and evaluate corporations, business or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading. The Corporation has been evaluating various business opportunities that could become its Qualifying Transaction (as such term is defined in Exchange policies).

The Board of Directors has approved the grant of 101,200 options that have as exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out.

On January 31, 2020, the Corporation signed a binding letter of intent with 1421526 Alberta Ltd, an arm's length private corporation (the "Transaction"). 1421526 Alberta Ltd. is focused on real estate development in Edmonton, Alberta. Pursuant to the terms of the Transaction, the Corporation will acquire from the shareholders of 1421526 Alberta Ltd. all of the issued and outstanding shares of 1421526 Alberta Ltd. in exchange for 17,000,000 Common Shares of the Corporation at \$0.20 per Common Share. The resulting issuer will issue a further 21,000,000 preferred shares to \$0.20 per preferred share. The preferred shares will be convertible into one common share of the resulting issuer.

## SELECTED FINANCIAL INFORMATION

### Selected Quarterly Statement of Operations Data

	March 31, 2020			
Expenses				\$ 29,471
Net loss for the period				\$ (29,471)
Basic loss per share				\$ (0.01)
	December 31, 2019	September,30 2019	June,30 2019	March 31, 2019
Expenses	23,144	\$ 13,057	\$ 54,875	\$ 32,249
Net loss for the period	(23,144)	\$ (13,057)	\$ (54,875)	\$ (32,249)
Basic loss per share	(0.01)	\$ (0.00)	\$ (0.03)	\$ (0.02)
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Expenses	\$ 22,494	\$ 19,403	\$ 15,248	\$ 13,585
Net loss for the period	\$ (1,494)	\$ (19,403)	\$ (15,248)	\$ (13,585)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Expenses	\$ 24,550	\$ 3,496	\$ 23,282	\$ 77,137
Net loss for the period	\$ 450	\$ (3,496.00)	\$ (23,282)	\$ (77,137)
Basic loss per share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.04)
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Expenses	\$ 193,343	\$ 1,770	\$ 3,265	\$ 3,625
Net loss for the period	\$ (193,343)	\$ (1,770)	\$ (3,265)	\$ (3,625)
Basic loss per share	\$ (1.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variances in net loss by quarter will reflect overall corporate activity and factors which do not recur each quarter, such as interest income on fluctuating cash balances, professional and regulatory fees related to evaluation of potential Qualifying Transactions.

### RESULTS OF OPERATIONS

During period ended March 31, 2020 the Corporation incurred a loss of \$29,471 (March 31, 2019 - \$32,249). The loss primarily relates to professional fees of \$22,989 (March 31, 2019 - \$17,551) incurred during the evaluation of various business opportunities, and general and administrative expenses.

## **OUTSTANDING SHARE DATA**

### **Common Shares**

As at March 31, 2020 and the date of this MD&A, the Corporation had 3,962,900 (December 31, 2019 – 3,962,900) common shares issued and outstanding.

Pursuant to an escrow agreement dated as of May 3, 2016 among the Corporation, Computershare Trust Company of Canada and certain shareholders of the Corporation, 1,819,200 common shares, being issued and outstanding common shares prior to the completion of the initial public offering, plus shares acquired by principals pursuant to the initial public offering, have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of the Exchange, common shares held pursuant to the escrow agreement shall be released as to 10% of the total escrowed shares immediately following the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction and 15% of the total escrowed shares shall be released every six months commencing six months following the initial release.

## **ARBITRARY SHARE DATA**

Common Shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2020, the Corporation had net working capital of \$170,433 (December 31, 2019 - \$199,904) comprised of cash less accounts payable and accrued liabilities, which management considers being sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS**

The Corporation, as part of its operations, carries financial instruments consisting of cash. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

## **FAIR VALUE**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash in trust is determined on level 1 inputs. The carrying amount of cash in trust approximates their fair value due to the short-term maturities of these items.

## **CREDIT RISK**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation believes it has no significant credit risk.

## **LIQUIDITY RISK**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Corporation had a cash balance of \$167,933 (December 31, 2019 - \$218,904) to settle future obligations.

## **MARKET RISK**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation has no market risks.

## **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

## **RISK FACTORS AND UNCERTAINTIES**

The business risk factors applicable to the Corporation have not materially changed since the prospectus dated June 13, 2016 and filed on [www.sedar.com](http://www.sedar.com) on September 9, 2016.

## **CAPITAL RISK MANAGEMENT**

The Corporation defines capital as total equity which was \$170,433 at March 31, 2020 (December 31 2019 - \$199,904). Its principal source of cash is from the issuance of common shares. The Corporations capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

## **OUTLOOK**

The Corporation is currently working towards completing its proposed Qualifying Transaction with the targeted private company.

## **OTHER INFORMATION**

The policies of the Exchange prohibit CPC's from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the directors and officers of the Corporation. Additional information about the corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPENDIX "C"**

Audited annual financial statements of 1421526 Alberta Ltd. for the years ended December 31, 2019, December 31, 2018 and December 31, 2017, and the auditor's report thereon and unaudited interim financial statements of 1421526 Alberta Ltd. for the period ended March 31, 2020

**1421526 ALBERTA LTD.**  
Financial Statements  
December 31, 2019, 2018 and 2017  
(Expressed in Canadian dollars)

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of 1421526 Alberta Ltd.**

### ***Opinion***

We have audited the financial statements of 1421526 Alberta Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2019, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### ***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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

RSM Alberta LLP

Edmonton, Alberta  
April 30, 2020, except as to  
Note 18 (b) which is as of  
July 23, 2020

Chartered Professional Accountants

**1421526 ALBERTA LTD.**  
**Statements of Financial Position**  
**As at December 31, 2019, 2018 and 2017**  
**(Expressed in Canadian dollars)**

	2019	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property (Note 4)	\$ 14,065,000	\$ 13,985,000	\$ 13,700,000
Equipment (Note 5)	8,105	10,131	12,664
Investment (Note 6)	<u>38,079</u>	<u>---</u>	<u>36,962</u>
	<u>14,111,184</u>	<u>13,995,131</u>	<u>13,749,626</u>
<b>Current assets</b>			
Prepaid expenses	664	745	5,871
Investment (Note 6)	---	37,516	---
Accounts receivable	39,852	10,770	11,988
Goods and services tax receivable	14,508	8,029	15,992
Cash	<u>39,489</u>	<u>134,693</u>	<u>282,736</u>
	<u>94,513</u>	<u>191,753</u>	<u>316,587</u>
	<u>\$ 14,205,697</u>	<u>\$ 14,186,884</u>	<u>\$ 14,066,213</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income taxes (Note 12)	<u>\$ 2,258,969</u>	<u>\$ 2,495,150</u>	<u>\$ 2,422,867</u>
<b>Current liabilities</b>			
Security deposits	60,853	61,248	62,301
Amount due to related party (Note 7)	209,273	142,329	271,419
Shareholders' loans (Note 8)	3,955,842	3,915,942	3,905,442
Mortgages payable (Note 9)	2,423,288	2,535,556	2,562,364
Accounts payable and accrued liabilities (Note 10)	<u>90,612</u>	<u>38,028</u>	<u>19,471</u>
	<u>6,739,868</u>	<u>6,693,103</u>	<u>6,820,997</u>
	<u>8,998,837</u>	<u>9,188,253</u>	<u>9,263,864</u>
<b>EQUITY</b>			
Share capital (Note 14)	100	100	100
Retained earnings	<u>5,206,760</u>	<u>4,998,531</u>	<u>4,822,249</u>
	<u>5,206,860</u>	<u>4,998,631</u>	<u>4,822,349</u>
	<u>\$ 14,205,697</u>	<u>\$ 14,186,884</u>	<u>\$ 14,066,213</u>

**Subsequent events (Note 18)**

Approved on behalf of the Board

(signed) "Ben Lui"

Director

See accompanying notes to the financial statements.

**1421526 ALBERTA LTD.**

## Statements of Comprehensive Income

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

	2019	2018	2017
Rental revenue (Note 11)	\$ 562,693	\$ 527,060	\$ 486,222
Recovery of operating expenses	470,302	480,186	457,439
Common area costs	<u>(494,659)</u>	<u>(494,659)</u>	<u>(481,762)</u>
<b>Net rental income</b>	<b><u>538,336</u></b>	<b><u>512,587</u></b>	<b><u>461,899</u></b>
<b>Other expenses</b>			
Management fees (Note 7)	380,000	340,000	240,000
Interest on mortgages payable	116,782	110,452	83,510
Property taxes	18,148	18,246	18,533
Professional fees	18,032	28,519	36,145
Depreciation	2,026	2,533	2,591
Bank charges	840	1,022	953
Cleaning	762	---	---
Utilities	455	378	---
Advertising and Promotion	---	670	---
Bad debts	<u>---</u>	<u>8,330</u>	<u>32,283</u>
	<b><u>537,045</u></b>	<b><u>510,150</u></b>	<b><u>414,015</u></b>
<b>Income before fair value adjustments on investment property and income taxes</b>	<b>1,291</b>	<b>2,437</b>	<b>47,884</b>
Fair value adjustments on investment property (Note 4)	<u>(29,243)</u>	<u>246,128</u>	<u>(41,246)</u>
<b>(Loss) income before income taxes</b>	<b>(27,952)</b>	<b>248,565</b>	<b>6,638</b>
Deferred income tax recovery (expense) (Note 12)	<u>236,181</u>	<u>(72,283)</u>	<u>20,710</u>
<b>Net income and comprehensive income</b>	<b><u>\$ 208,229</u></b>	<b><u>\$ 176,282</u></b>	<b><u>\$ 27,348</u></b>
<b>Earnings per share – basic and diluted</b>	<b><u>\$ 2,082.29</u></b>	<b><u>\$ 1,762.82</u></b>	<b><u>\$ 273.48</u></b>
<b>Weighted average common shares outstanding – basic and diluted</b>	<b>100</b>	<b>100</b>	<b>100</b>

See accompanying notes to the financial statements.

**1421526 ALBERTA LTD.**

Statements of Changes in Equity  
For the Years Ended December 31, 2019, 2018 and 2017  
(Expressed in Canadian dollars)

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	<u>Share Capital</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>		
<b>Balance, December 31, 2016</b>	100	\$ 100	\$ 4,794,901	\$ 4,795,001
Net income	<u>---</u>	<u>---</u>	<u>27,348</u>	<u>27,348</u>
<b>Balance, December 31, 2017</b>	100	100	4,822,249	4,822,349
Net income	<u>---</u>	<u>---</u>	<u>176,282</u>	<u>176,282</u>
<b>Balance, December 31, 2018</b>	100	100	4,998,531	4,998,631
Net income	<u>---</u>	<u>---</u>	<u>208,229</u>	<u>208,229</u>
<b>Balance, December 31, 2019</b>	<u><b>100</b></u>	<u><b>\$ 100</b></u>	<u><b>\$ 5,206,760</b></u>	<u><b>\$ 5,206,860</b></u>

See accompanying notes to the financial statements.

**1421526 ALBERTA LTD.**

## Statements of Cash Flows

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

	2019	2018	2017
<b>Cash provided by (used in):</b>			
<b>Operating Activities</b>			
Net income	\$ 208,229	\$ 176,282	\$ 27,348
Adjustments for:			
Depreciation	2,026	2,533	2,591
Fair value adjustments on investment property	29,243	(246,128)	41,246
Deferred income tax (recovery) expense (Note 12)	(236,181)	72,283	(20,710)
Bad debts	---	8,330	32,283
Accrued interest income	(563)	(554)	---
Accrued rent receivable (Note 4)	(14,594)	---	---
Net changes in non-cash working capital items (Note 15)	<u>16,709</u>	<u>32,690</u>	<u>(48,997)</u>
	<u>4,869</u>	<u>45,436</u>	<u>33,761</u>
<b>Investing Activities</b>			
Purchase of investment	(37,516)	---	(36,962)
Redemption of investment	37,516	---	36,450
Additions to investment property (Note 4)	(94,649)	(48,081)	(176,514)
Additions to equipment	---	---	(4,603)
Repayment of loan receivable	---	---	27,500
	<u>(94,649)</u>	<u>(48,081)</u>	<u>(154,129)</u>
<b>Financing Activities</b>			
Repayment to shareholders	---	(25,200)	(100,000)
Advances from shareholders	39,900	35,700	25,200
Repayment of mortgages payable	(112,268)	(108,844)	(109,060)
Advances from mortgages payable	---	82,036	222,005
Repayment to related party	(545,348)	(771,892)	(378,135)
Advances from related party	<u>612,292</u>	<u>642,802</u>	<u>526,377</u>
	<u>(5,424)</u>	<u>(145,398)</u>	<u>186,387</u>
<b>(Decrease) increase in cash</b>	<b>(95,204)</b>	<b>(148,043)</b>	<b>66,019</b>
<b>Cash, beginning of year</b>	<u>134,693</u>	<u>282,736</u>	<u>216,717</u>
<b>Cash, end of year</b>	<u>\$ 39,489</u>	<u>\$ 134,693</u>	<u>\$ 282,736</u>

See accompanying notes to the financial statements.

## **1421526 ALBERTA LTD.**

### Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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#### **1. Nature of Business**

1421526 Alberta Ltd. (the "Company") is incorporated and domiciled in Canada and is a real estate development company with an investment property located in Edmonton, Alberta. The address of the Company's registered head office is Suite 3165, 10180 – 101 Street, Edmonton, AB, T5J 3S4.

These financial statements were authorized for issue by the Company's Board of Directors on April 30, 2020.

#### **2. Basis of Presentation**

##### **a) Statement of Compliance**

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies in these financial statements are based on IFRS issued and outstanding as of December 31, 2019.

##### **b) Basis of Measurement**

The financial statements have been prepared on a going concern and historical cost basis except for the measurement of investment property, which is stated at fair value.

##### **c) Functional Currency**

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

##### **d) Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Judgments made by management in the process of applying accounting policies and that have the most significant effect on of the amounts reported in the financial statements relate to the following:

##### **Commercial Rental Leases**

The Company makes judgments in determining whether certain leases, in particular tenant leases with long contractual terms where the Company is the lessor, are operating or finance leases. The Company has determined that it retains all significant risks and rewards of ownership of the investment property and account for all of its leases as operating leases.

## **1421526 ALBERTA LTD.**

### Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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## 2. **Basis of Presentation** (Continued)

### d) Use of Estimates and Judgements (Continued)

Significant estimates made by management with a significant risk of material adjustment to the carrying amount of assets and liabilities relate to the following:

#### Investment Property

The determination of the fair value of the investment property requires the use of estimates such as net operating income based on market lease rates per square feet, vacancy rates and capitalization rates. These estimates are based on market conditions existing at the reporting date.

#### Financial Instruments

The Company estimates and discloses the fair value of financial instruments. When fair value cannot be derived from an active market, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data is derived from observable markets and, if not, management estimate is required to determine fair value.

#### Income Taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Company utilizing certain assets. To the extent assumptions regarding future probability change, there can be a change in the amounts recognized in respect of deferred taxes as well as the amounts recognized in profit or loss in the period in which the change occurs.

## 3. **Significant Accounting Policies**

The following is a summary of the significant accounting policies applied in the preparation of these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

### **Investment Property**

A property that is held to earn rental income, for capital appreciation, or both is classified as an investment property.

The investment property is initially measured at its cost, including related transaction costs.

All direct development costs, insurance, realty taxes and borrowing costs incurred in connection to the construction or development are capitalized during the development period. This period extends from the date that activities commence to prepare the property for its intended use and ends when such activities are substantially complete.

After the initial recognition, the investment property is measured using the fair value model. The investment property is recorded at fair value, determined based on available market evidence at each reporting date. Changes in fair value are recognized in net income in the period in which it arises. The fair value is determined by a third-party valuation professional using both the income approach and direct comparison approach.

## **1421526 ALBERTA LTD.**

### Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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#### **3. Significant Accounting Policies (Continued)**

##### **Equipment**

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at the following annual rate commencing on the date the equipment is available for use:

Equipment                    - 20%

##### **Leasing Costs**

Leasing commissions are fees paid in connection with negotiating lease contracts with lessees. Such fees are included in the carrying amount of the investment property and then considered in the fair value adjustment of the investment property.

##### **Borrowing Costs**

Borrowing costs attributable to the acquisition and construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Qualifying assets include the investment property. All other borrowing costs are recognized as finance costs in net income in the period in which they occur.

##### **Revenue Recognition**

###### Revenue Recognition

Revenue from the investment property includes rents from tenants under leases, parking, and other ancillary revenues. The Company accounts for leases with its tenants as operating leases as the Company has retained substantially all of the risks and benefits of ownership of its investment property. Lease revenue earned directly from leasing the asset is recognized and measured in accordance with IFRS 16 – Leases. In addition to revenue generated directly from the operating lease, rental revenue includes non-lease revenue earned from the tenant, which is recognized and measured under IFRS 15. Non-lease revenue includes parking, commercial common area maintenance and ancillary services. These revenues are recognized when earned.

Tenant inducements such as free rent or move-in allowances are initially deferred and amortized over the term of the related lease, reducing the revenue recognized. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance is recorded as an expense in the statement of income. IFRS 15 requires revenue recognized from customer contracts (non-lease components) to be disclosed separately from its other sources of revenue (Note 11).

##### **Income Taxes**

Current income tax is the expected amount of tax payable to the taxation authorities, using tax rates enacted, or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

## **1421526 ALBERTA LTD.**

### Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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### **3. Significant Accounting Policies (Continued)**

#### **Income Taxes (Continued)**

Deferred income tax is recognized using the liability method based on the temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are the result of recognizing the benefit associated with deductible temporary differences, unused tax credits and tax loss carry forwards. The carrying amount of the deferred tax liabilities and assets is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

#### **Financial Instruments**

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss, are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

##### **Financial assets at amortized cost**

Cash, accounts receivables and investment are held with the objective of collecting contractual cash flows and classified as amortized cost.

Subsequent to initial recognition, these assets are carried at amortized cost, using the effective interest method, less any impairment loss. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the statement of income. Any subsequent reversal of an impairment loss is recognized in profit or loss.

The Company does not currently hold any derivative assets.

##### **Financial liabilities at amortized cost**

Accounts payable and accrued liabilities, security deposits, mortgages payable, shareholders' loans and amount due to related party are classified as amortized cost.

Subsequent to initial recognition, these liabilities are carried at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

## **1421526 ALBERTA LTD.**

### Notes to the Financial Statements

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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### **3. Significant Accounting Policies (Continued)**

#### **Financial Instruments (Continued)**

##### **Impairment of financial assets**

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss (ECL) model. The Company applies the simplified approach which uses lifetime ECLs for contractual accounts receivable.

The Company uses an accounts receivable aging provision matrix to measure the ECL for contractual rents receivable and applies loss factors to aging categories greater than 30 days past due.

##### **Fair value measurement**

The Company measures certain non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement on a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on either directly or indirectly observable market data
- Level 3: Valuation techniques for which any significant input is unobservable

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change occurred.

##### **Impairment of Non-Financial Assets**

Non-financial assets are assessed whenever events or changes in circumstances suggest their carrying value may not be recoverable at the end of the reporting period. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income.

## 1421526 ALBERTA LTD.

### Notes to the Financial Statements

For the Years Ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

#### 3. Significant Accounting Policies (Continued)

##### Impairment of Non-Financial Assets (Continued)

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

##### Provisions

Provisions are recognized when there is a present legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, and where the obligation can be reliably measured. An obligation is measured at the amount that would be paid to settle or transfer it to a third party at the statement of financial position date. An amount is determined using an expected cash flow approach that reflects a range of possible outcomes that are probability weighted.

##### Future Accounting Changes

##### IFRS 3 Business Combinations

The amendments to IFRS 3 clarify whether a transaction meets the definition of a business combination. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

#### 4. Investment Property

	2019		
	Land Held for Development	Commercial Property	Total
Opening balance, beginning of year	\$ 7,850,000	\$ 6,135,000	\$ 13,985,000
Additions to existing investment property			
Capital expenditures	---	94,649	94,649
Disposals	---	---	---
Straight-line rents included in revenue	---	14,594	14,594
Fair value adjustment	<u>(185,000)</u>	<u>155,757</u>	<u>(29,243)</u>
	<u>\$ 7,665,000</u>	<u>\$ 6,400,000</u>	<u>\$ 14,065,000</u>

**1421526 ALBERTA LTD.**

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

**4. Investment Property (Continued)**

	2018		
	Land Held for Development	Commercial Property	Total
Opening balance, beginning of year	\$ 7,850,000	\$ 5,850,000	\$ 13,700,000
Additions to existing investment property			
Capital expenditures	---	36,273	36,273
Tenant Improvement Allowances	---	2,234	2,234
Direct leasing costs	---	9,574	9,574
Disposals	---	---	---
Straight-line rents included in revenue	---	(9,209)	(9,209)
Fair value adjustment	---	246,128	246,128
	<u>\$ 7,850,000</u>	<u>\$ 6,135,000</u>	<u>\$ 13,985,000</u>
	2017		
	Land Held for Development	Commercial Property	Total
Opening balance, beginning of year	\$ 7,850,000	\$ 5,700,000	\$ 13,550,000
Additions to existing investment property			
Land	---	---	---
Capital expenditures	---	145,643	145,643
Tenant Improvement Allowances	---	22,201	22,201
Direct leasing costs	---	8,670	8,670
Disposals	---	---	---
Straight-line rents included in revenue	---	14,732	14,732
Fair value adjustment	---	(41,246)	(41,246)
	<u>\$ 7,850,000</u>	<u>\$ 5,850,000</u>	<u>\$ 13,700,000</u>

Included in investment property is \$75,470 (2018 - \$60,876; 2017 - \$70,085) of rent receivable arising from the recognition of rental revenue on a straight-line basis over the lease term.

The Company values its investment property using Level 3 inputs. There have been no transfers during the period between levels.

The commercial property was valued at \$6,400,000 (2018 - \$6,135,000; 2017 - \$5,850,000) using a combination of the direct capitalization of income method and the direct comparison approach. In applying the direct capitalization of income method, the stabilized net operating income is capitalized at the requisite overall capitalization rate. In applying the direct comparison method (price per square foot), the property was compared to recent sales transactions considered to be similar in terms of location, condition, size, and tenancy.

The land held for development was valued at \$7,665,000 (2018 - \$7,850,000; 2017 - \$7,850,000) using the direct comparison approach. The land was compared to recent sales transactions of commercial land sales.

**1421526 ALBERTA LTD.**

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

**4. Investment Property (Continued)**

These methods require certain key assumptions, including market rents, operating expenses, vacancies, and capitalization rates to be made. The capitalization rate is determined for the property based on available market information related to leases of similar commercial buildings within Edmonton, Alberta.

Significant assumptions used to determine the fair value of the Company's commercial property is as follows:

	<u>Range of Capitalization Rates</u>	<u>Weighted Average Capitalization Rate</u>	<u>Range of Price per Square Foot</u>	<u>Weighted Average Price per Square Foot</u>
<b>2019</b>				
Commercial property	5.97% – 7.39%	6.75%	\$216 - \$232	\$ 224.00
Land held for development	N/A	N/A	\$215 - \$225	\$ 220.00
<b>2018</b>				
Commercial property	5.97% – 7.04%	6.75%	\$209 - \$224	\$ 216.50
Land held for development	N/A	N/A	\$220 - \$230	\$ 225.00
<b>2017</b>				
Commercial property	6.20% – 7.43%	6.75%	\$203 - \$234	\$ 218.50
Land held for development	N/A	N/A	\$220 - \$230	\$ 225.00

The weighted average capitalization rate as at December 31, 2019, 2018 and 2017 is calculated based on net operating income from market lease rates per square feet and the typical costs in the local market for similar properties.

Valuations determined by the direct capitalization income approach method are most sensitive to changes in capitalization rate and stabilized net operating income. The following table summarizes the sensitivity of the fair value of the commercial property to changes in net operating income and capitalization rate:

As at December 31, 2019

	<u>Stabilized NOI – 1% (\$428,345)</u>	<u>Stabilized NOI used (\$432,672)</u>	<u>Stabilized NOI + 1% (\$436,999)</u>
Capitalization rate – 0.25% (6.50%)	\$ 189,927	\$ 256,492	\$ 323,057
Capitalization rate used (6.75%)	(54,144)	---	74,055
Capitalization rate + 0.25% (7.00%)	(280,784)	(218,917)	(157,161)

As at December 31, 2018

	<u>Stabilized NOI – 0.75% (\$410,827)</u>	<u>Stabilized NOI used (\$413,931)</u>	<u>Stabilized NOI + 0.75% (\$417,035)</u>
Capitalization rate – 0.25% (6.50%)	\$ 185,408	\$ 233,169	\$ 280,931
Capitalization rate used (6.75%)	(48,681)	---	43,303
Capitalization rate + 0.25% (7.00%)	(266,050)	(221,700)	(177,350)

# 1421526 ALBERTA LTD.

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

### 4. Investment Property (Continued)

As at December 31, 2017

	Stabilized NOI – 0.75% (\$)	Stabilized NOI used (\$)	Stabilized NOI + 0.75% (\$)
Capitalization rate – 0.25% (6.50%)	\$ 179,438	\$ 225,000	\$ 270,563
Capitalization rate used (6.75%)	(43,875)	---	43,875
Capitalization rate + 0.25% (7.00%)	(251,237)	(208,929)	(166,621)

The Company leases space in its investment property to tenants under operating leases. The leases have various terms. The total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
One year or less	<b>\$ 427,438</b>	\$ 326,543	\$ 393,703
2 – 5 years	<b>659,637</b>	472,955	668,169
	<b><u>\$ 1,087,075</u></b>	<u>\$ 799,499</u>	<u>\$ 1,061,872</u>

### 5. Equipment

	<b>Cost</b>									<b>Balance at December 31, 2019</b>	
	Balance January 1, 2017	Additions	Disposals	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018	Additions	Disposals		
Equipment	\$ 35,195	\$ 4,603	\$ ---	\$ 39,798	\$ ---	\$ ---	\$ 39,798	\$ ---	\$ ---	<b>\$ 39,798</b>	
	<b>Accumulated Depreciation</b>									<b>Balance at December 31, 2019</b>	
	Balance January 1, 2017	Additions	Disposals	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018	Additions	Disposals		
Equipment	\$ 24,543	\$ 2,591	\$ ---	\$ 27,134	\$ 2,533	\$ ---	\$ 29,667	\$ 2,026	\$ ---	<b>\$ 31,693</b>	
	<b>Net Book Value</b>										
				<b>Balance at December 31, 2019</b>				Balance at December 31, 2018			Balance at December 31, 2017
Equipment				<b>\$ 8,105</b>				\$ 10,131			\$ 12,664

### 6. Investment

Investment is comprised of a guaranteed investment certificate bearing interest at 2.71% per annum and matures February 25, 2021.

**1421526 ALBERTA LTD.**

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

**7. Amount Due to Related Party and Related Party Transactions**

The amount due to related party is payable to a company controlled by a director of the Company, is secured by a general security agreement, bears no interest and has no specific terms of repayment.

Key management of the Company includes the Chief Executive Officer and Chief Financial Officer. There is no remuneration being paid to key management of the Company for the years ended December 31, 2019, 2018 and 2017.

During the year, the Company paid property management fees of \$73,975 (2018 - \$71,478; 2017 - \$66,144), included in common area costs, under a property management contract to a company controlled by a director of the Company. The Company paid leasing fees of \$nil (2018 - \$9,574; 2017 - \$7,011), project management fees of \$nil (2018 - \$2,234; 2017 - \$22,201) and management fees of \$380,000 (2018 - \$340,000; 2017 - \$240,000) to companies controlled by the directors of the Company.

**8. Shareholders' Loans**

Shareholders' loans are unsecured, bear no interest and have no specific terms of repayment.

**9. Mortgages Payable**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Mortgage payable due on August 15, 2020 with monthly instalments of \$15,987 (2018 - \$15,682), interest at prime plus 0.75% (2018 – prime plus 0.75%) secured by the investment property with a carrying amount of \$14,065,000 (2018 - \$13,985,000), general assignment of rent and a general security agreement	<b>\$ 2,077,394</b>	\$ 2,166,856	\$ 2,255,356
Mortgage payable with a maximum borrowing limit of \$666,459 due July 12, 2020 with blended monthly instalments and interest at prime plus 0.75% (2018 – prime plus 0.75%) per annum, secured by the investment property with a carrying amount of \$14,065,000 (2018 - \$13,985,000), general assignment of rent and a general security agreement	<b><u>345,894</u></b>	<u>368,700</u>	<u>307,008</u>
	<b><u>\$ 2,423,288</u></b>	<b><u>\$ 2,535,556</u></b>	<b><u>\$ 2,562,364</u></b>

**10. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities are comprised of the following items:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Trade payables	<b>\$ 66,480</b>	\$ 12,865	\$ 5,583
Accrued liabilities	<b><u>24,132</u></b>	<u>25,163</u>	<u>13,888</u>
	<b><u>\$ 90,612</u></b>	<b><u>\$ 38,028</u></b>	<b><u>\$ 19,471</u></b>

**1421526 ALBERTA LTD.**

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

**11. Rental Revenue**

Rental revenue consists of the following components:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Lease revenue <sup>(1)</sup>	\$ 562,130	\$ 526,457	\$ 483,188
Non-lease revenue <sup>(2)</sup>	<u>563</u>	<u>602</u>	<u>3,034</u>
	<u>\$ 562,693</u>	<u>\$ 527,060</u>	<u>\$ 486,222</u>

<sup>(1)</sup> Consists of lease revenue from commercial tenants and parking<sup>(2)</sup> Consists of revenue from non-lease items such as interest income**12. Income Taxes**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Deferred tax assets (liabilities):			
Capital loss carry-forward	\$ 7,701	\$ 8,366	\$ 8,366
Non-capital loss carry-forward	21,725	5,348	---
Tax basis of investment property in excess of carrying value	(2,291,912)	(2,511,657)	(2,432,742)
Tax basis of other assets in excess of carrying value	<u>3,517</u>	<u>2,793</u>	<u>1,509</u>
	<u>\$ (2,258,969)</u>	<u>\$ (2,495,150)</u>	<u>\$ (2,422,867)</u>

A reconciliation of income taxes at statutory rates is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
(Loss) income before income taxes	\$ (27,952)	\$ 248,565	\$ 6,638
Statutory tax rate	<u>50.17%</u>	<u>50.70%</u>	<u>50.70%</u>
Expected (recovery) tax expense	(14,024)	126,023	3,365
Temporary differences	(23,825)	(53,740)	(24,075)
Impact of changes in tax rate	<u>(198,332)</u>	<u>---</u>	<u>---</u>
Income tax expense (recovery)	<u>\$ (236,181)</u>	<u>\$ 72,283</u>	<u>\$ (20,710)</u>

**13. Commitments**

The Company entered a long-term agreement with a related party for property management purposes in 2008. The Company is contractually obligated to pay 7% of the total gross rental incomes of the Property before the end of each calendar month to the related party.

**1421526 ALBERTA LTD.**

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

**14. Share Capital**

Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares without nominal or par value

The preferred shares may be issued in one or more series and the board of directors are authorized to fix the number of shares in each series and determine the rights, privileges and conditions of the preferred shares.

	Number of Class A Common Shares	Amount
Balance, December 31, 2019, 2018 and 2017	<u>100</u>	<u>\$ 100</u>

**15. Supplemental Cash Flow Information**

## a) Net changes in Non-Cash Working Capital Items

	<u>2019</u>	2018	2017
Prepaid expenses	\$ 81	\$ 5,126	\$ 2,559
Accounts receivable	(29,082)	2,097	34,503
Goods and services tax receivable	(6,479)	7,963	(15,992)
Deferred revenue	---	---	(35,100)
Security deposits	(395)	(1,053)	(230)
Accounts payable and accrued liabilities	52,584	18,557	(34,886)
Income tax receivable	---	---	149
	<u>\$ 16,709</u>	<u>\$ 32,690</u>	<u>\$ (48,997)</u>

## b) Reconciliation of Liabilities Arising from Financing Activities

	Amounts Due to Related Party	Shareholders' Loan	Mortgage Payable
Balance, January 1, 2018	\$ 271,419	\$ 3,905,442	\$ 2,562,364
Advances	642,802	35,700	82,036
Repayments	(771,892)	(25,200)	(108,844)
Balance, December 31, 2018	142,329	3,915,942	2,535,556
Advances	612,292	39,900	---
Repayments	(545,348)	---	(112,268)
<b>Balance, December 31, 2019</b>	<u>\$ 209,273</u>	<u>\$ 3,955,842</u>	<u>\$ 2,423,288</u>

# 1421526 ALBERTA LTD.

## Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

### 16. Financial Instruments

#### Fair Value

Financial instruments include cash, accounts receivable, security deposits, investments, mortgage payable, amount due to related party, shareholders' loans and accounts payable and accrued liabilities.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

As at December 31, 2019, 2018 and 2017, the Company has no financial instruments classified as "fair value through profit and loss".

The fair values of the Company's financial instruments are presented in the table below:

	2019	2018	2017
<b>Financial Assets Measured at Amortized Cost:</b>			
Cash	(A) \$ 39,489	(A) \$ 134,693	(A) \$ 282,736
Accounts receivable	(A) \$ 39,852	(A) \$ 10,770	(A) \$ 11,988
Investment	(A) \$ 38,079	(A) \$ 37,516	(A) \$ 36,962
<b>Financial Liabilities Measured at Amortized Cost:</b>			
Accounts payable and accrued liabilities	(A) \$ 90,612	(A) \$ 38,028	(A) \$ 19,471
Amount due to related party	(A) \$ 209,273	(A) \$ 142,329	(A) \$ 271,419
Mortgage payable	(B) \$ 2,423,288	(B) \$ 2,535,556	(B) \$ 2,562,364
Shareholders' loans	(A) \$ 3,955,842	(A) \$ 3,915,942	(A) \$ 3,905,442

(A) The fair value of cash, accounts receivable, investment, accounts payable and accrued liabilities, amount due to related party, and shareholders' loans approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

(B) The fair value of mortgage payable, measured at a fair value level 2, is determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

## 1421526 ALBERTA LTD.

### Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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#### 16. Financial Instruments (Continued)

##### Financial risk management

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

##### Market risk

Market risk includes currency risk and interest rate risk. The Company is not susceptible to any currency risk as all financial instruments are denominated in Canadian dollars.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is susceptible to interest rate cash flow risk on its mortgage payable that bears a variable interest rate.

##### Credit risk

The Company is exposed to credit risk due to unexpected losses that could occur if a tenant fails to satisfy its lease obligations. Credit risk for the Company arises from the accounts receivable from tenants. The Company's maximum exposure to credit risk is equal to the carrying value of the financial asset. The Company mitigates its credit risk by attracting tenants with good credit and by limiting exposure to any one tenant.

The aging of accounts receivable is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current	\$ 39,852	\$ 10,770	\$ 11,988
31-90 days	---	---	---
91 + days	---	---	---
	<u>\$ 39,852</u>	<u>\$ 10,770</u>	<u>\$ 11,988</u>

##### Liquidity risk

The Company's exposure to liquidity risk is dependent on generating rental revenue to sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company's contractual obligation consists of accounts payable and accrued liabilities of \$90,612 (2018 - \$38,028; 2017 - \$19,471) that have a contractual maturity in fiscal year 2020. There is no contractual maturity for the amounts due to related party and shareholders' loans as there are no terms of repayment. The mortgages payable have terms maturing in fiscal year 2020.

## 1421526 ALBERTA LTD.

### Notes to the Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian dollars)

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#### 17. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures.

The capital structure consists of the following components:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Mortgages payable	<b>\$ 2,423,288</b>	\$ 2,535,556	\$ 2,562,364
Amount due to related party	<b>209,273</b>	142,329	271,419
Shareholders' loans	<b>3,955,842</b>	3,915,942	3,905,442
Equity	<b><u>5,206,860</u></b>	<u>4,998,631</u>	<u>4,822,349</u>
	<b><u>\$11,795,263</u></b>	<u>\$11,592,458</u>	<u>\$11,561,574</u>

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through its commercial rental activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the year ended December 31, 2019, 2018 and 2017.

The Company is subject to bank covenants which must be maintained for their mortgage payable. As at December 31, 2019, the Company is in compliance with its bank covenants.

#### 18. Subsequent Events

- a) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. COVID-19 could affect the impact the ability of the Company to collect rent in certain instances and may increase the Company's exposure to credit risk on accounts receivable as a result of the impact of COVID-19 on the tenant's of the investment property. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.
- b) The Company, shareholders of 1421526 Alberta Ltd. and Trusted Brand 2016 Inc. ("Trusted Brand") have entered into an agreement for Trusted Brand to acquire all the outstanding shares of 1421526 Alberta Ltd. from the Company's shareholders in exchange for 15,800,000 Common Shares and 21,062,905.15 Series I Preferred Shares of Trusted Brand. Trusted Brand will also issue 19,779,208 Series II Preferred Shares to settle the Company's shareholders' loans of \$3,955,841.

**1421526 ALBERTA LTD.**

(Unaudited)

Interim Condensed Financial Statements

For the Three Months Ended March 31, 2020

(Expressed in Canadian dollars)

**1421526 ALBERTA LTD.**

(Unaudited)

## Interim Condensed Statement of Financial Position

(Expressed in Canadian dollars)

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property (Note 4)	\$ 14,104,276	\$ 14,065,000
Equipment (Note 5)	7,700	8,105
Investment (Note 6)	<u>38,079</u>	<u>38,079</u>
	<u>14,150,055</u>	<u>14,111,184</u>
<b>Current assets</b>		
Prepaid expenses	664	664
Accounts receivable	44,083	39,852
Goods and services tax receivable	14,345	14,508
Cash	<u>80,075</u>	<u>39,489</u>
	<u>139,167</u>	<u>94,513</u>
	<u>\$ 14,289,222</u>	<u>\$ 14,205,697</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income taxes	<u>\$ 2,258,969</u>	<u>\$ 2,258,969</u>
	<u>2,258,969</u>	<u>2,258,969</u>
<b>Current liabilities</b>		
Security deposits	60,853	60,853
Amount due to related party (Note 7)	106,362	209,273
Shareholders' loans (Note 8)	3,955,842	3,955,842
Mortgages payable (Note 9)	2,571,732	2,423,288
Accounts payable and accrued liabilities (Note 10)	<u>103,208</u>	<u>90,612</u>
	<u>6,797,997</u>	<u>6,739,868</u>
	<u>9,056,966</u>	<u>8,998,837</u>
<b>EQUITY</b>		
Share capital (Note 13)	100	100
Retained earnings	<u>5,232,156</u>	<u>5,206,760</u>
	<u>5,232,256</u>	<u>5,206,860</u>
	<u>\$ 14,289,222</u>	<u>\$ 14,205,697</u>

**Commitment (Note 12)****Subsequent Event (Note 18)**

Approved on behalf of the Board

(signed) "Ben Lui"

Director

See accompanying notes to the financial statements.

**1421526 ALBERTA LTD.**

(Unaudited)

## Interim Condensed Statement of Comprehensive Income

For the Three Months Ended March 31, 2020

(Expressed in Canadian dollars)

	March 31, 2020	March 31, 2019
Rental revenue (Note 11)	\$ 132,029	\$ 138,968
Recovery of operating expenses	115,678	118,238
Common area costs	<u>(121,229)</u>	<u>(123,665)</u>
<b>Net rental income</b>	<b><u>126,478</u></b>	<b><u>133,541</u></b>
<b>Other expenses</b>		
Professional fees	66,816	3,000
Interest on mortgages payable	28,251	29,284
Property taxes	4,537	4,242
Advertising and promotion	452	---
Bank charges	451	454
Depreciation	405	507
Utilities	<u>170</u>	<u>140</u>
	<b><u>101,082</u></b>	<b><u>37,627</u></b>
<b>Net income and comprehensive income</b>	<b><u>\$ 25,396</u></b>	<b><u>\$ 95,914</u></b>

*See accompanying notes to the financial statements.*

**1421526 ALBERTA LTD.**

(Unaudited)

Interim Condensed Statement of Changes in Equity

For the Three Months Ended March 31, 2020

(Expressed in Canadian dollars)

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	<u>Share Capital</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>		
<b>Balance, January 1, 2020</b>	100	\$ 100	\$ 5,206,760	\$ 5,206,860
Net income	---	---	25,396	25,396
<b>Balance, March 31, 2020</b>	<b><u>100</u></b>	<b><u>\$ 100</u></b>	<b><u>\$ 5,232,156</u></b>	<b><u>\$ 5,232,256</u></b>
<b>Balance, January 1, 2019</b>	100	\$ 100	\$ 4,998,531	\$ 4,998,631
Net income	---	---	95,914	95,914
<b>Balance, March 31, 2019</b>	<b><u>100</u></b>	<b><u>\$ 100</u></b>	<b><u>\$ 5,094,445</u></b>	<b><u>\$ 5,094,545</u></b>

*See accompanying notes to the financial statements.*

**1421526 ALBERTA LTD.**

(Unaudited)

Interim Condensed Statement of Cash Flows  
For the Three Months Ended March 31, 2020  
(Expressed in Canadian dollars)

	<b>March 31, 2020</b>	March 31, 2019
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net income	\$ 25,396	\$ 95,914
Adjustments for:		
Depreciation	405	507
Accrued rent receivable (Note 4)	9,545	---
Accrued interest income	---	(563)
Net changes in non-cash working capital items (Note 14)	<u>8,528</u>	<u>25,817</u>
	<u>43,874</u>	<u>121,675</u>
<b>Investing Activities</b>		
Additions to investment property (Note 4)	<u>(48,821)</u>	<u>(701)</u>
	<u>(48,821)</u>	<u>(701)</u>
<b>Financing Activities</b>		
Repayment of mortgages payable	(29,692)	(27,716)
Advances from mortgages payable	178,136	---
Repayment to related party	(196,905)	(235,463)
Advances from related party	<u>93,994</u>	<u>70,338</u>
	<u>45,533</u>	<u>(192,841)</u>
<b>Increase (decrease) in cash</b>	<b>40,586</b>	<b>(71,867)</b>
<b>Cash, beginning of period</b>	<u><b>39,489</b></u>	<u>134,693</u>
<b>Cash, end of period</b>	<u><b>\$ 80,075</b></u>	<u>\$ 62,826</u>

*See accompanying notes to the financial statements.*

# 1421526 ALBERTA LTD.

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

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## 1. Nature of Business

1421526 Alberta Ltd. (the "Company") is incorporated and domiciled in Canada and is a real estate development company with an investment property located in Edmonton, Alberta. The address of the Company's registered head office is Suite 3165, 10180 – 101 Street, Edmonton, AB, T5J 3S4.

These interim condensed financial statements were authorized for issue by the Company's Board of Directors on June 19, 2020.

## 2. Basis of Presentation

### a) Statement of Compliance

These interim condensed financial statements have been prepared in accordance and compliance with International Accounting Standard 34, ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure herein is incremental to the disclosure included in the annual financial statements. The interim condensed financial statement should be read in conjunction with the annual audited financial statements for the year ended December 31, 2019.

### b) Basis of Measurement

The interim condensed financial statements have been prepared on a going concern and historical cost basis except for the measurement of investment property, which is stated at fair value.

### c) Functional Currency

The interim condensed financial statements are presented in Canadian dollars, which is the Company's functional currency.

### d) Use of Estimates and Judgements

The preparation of interim condensed financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Judgments made by management in the process of applying accounting policies and that have the most significant effect on of the amounts reported in the financial statements relate to the following:

#### Commercial Rental Leases

The Company makes judgments in determining whether certain leases, in particular tenant leases with long contractual terms where the Company is the lessor, are operating or finance leases. The Company has determined that it retains all significant risks and rewards of ownership of the investment property and account for all of its leases as operating leases.

## **1421526 ALBERTA LTD.**

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

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### **2. Basis of Presentation (Continued)**

#### d) Use of Estimates and Judgements (Continued)

Significant estimates made by management with a significant risk of material adjustment to the carrying amount of assets and liabilities relate to the following:

##### Investment Property

The determination of the fair value of the investment property requires the use of estimates such as net operating income based on market lease rates per square feet, vacancy rates and capitalization rates. These estimates are based on market conditions existing at the reporting date.

##### Financial Instruments

The Company estimates and discloses the fair value of financial instruments. When fair value cannot be derived from an active market, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data is derived from observable markets and, if not, management estimate is required to determine fair value.

##### Income Taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Company utilizing certain assets. To the extent assumptions regarding future probability change, there can be a change in the amounts recognized in respect of deferred taxes as well as the amounts recognized in profit or loss in the period in which the change occurs.

### **3. Significant Accounting Policies**

The accounting policies applied by the Company in these interim condensed financial statements are consistent with those applied by the Company in its audited financial statements for the year end December 31, 2019.

**1421526 ALBERTA LTD.**

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

**4. Investment Property**

	<u>March 31, 2020</u>		
	<u>Land Held for Development</u>	<u>Commercial Property</u>	<u>Total</u>
Opening balance, beginning of year	\$ 7,665,000	\$ 6,400,000	\$ 14,065,000
Additions to existing investment property			
Capital expenditures	---	48,821	48,821
Straight-line rents included in revenue	---	(9,545)	(9,545)
	<u>\$ 7,665,000</u>	<u>\$ 6,439,276</u>	<u>\$ 14,104,276</u>

  

	<u>December 31, 2019</u>		
	<u>Land Held for Development</u>	<u>Commercial Property</u>	<u>Total</u>
Opening balance, beginning of year	\$ 7,850,000	\$ 6,135,000	\$ 13,985,000
Additions to existing investment property			
Capital expenditures	---	94,649	94,649
Disposals	---	---	---
Straight-line rents included in revenue	---	14,594	14,594
Fair value adjustment	(185,000)	155,757	(29,243)
	<u>\$ 7,665,000</u>	<u>\$ 6,400,000</u>	<u>\$ 14,065,000</u>

Included in investment property is \$65,925 (December 31, 2019 - \$75,470) of rent receivable arising from the recognition of rental revenue on a straight-line basis over the lease term.

The Company values its investment property using Level 3 inputs. The commercial property was valued using a combination of the direct capitalization of income method and the direct comparison approach. In applying the direct capitalization of income method, the stabilized net operating income is capitalized at the requisite overall capitalization rate. In applying the direct comparison method (price per square foot), the property was compared to recent sales transactions considered to be similar in terms of location, condition, size, and tenancy.

**1421526 ALBERTA LTD.**

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

**4. Investment Property (Continued)**

The Company leases space in its investment property to tenants under operating leases. The leases have various terms. The total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
One year or less	\$ 368,508	\$ 427,438
2 – 5 years	<u>584,591</u>	<u>659,637</u>
	<u>\$ 953,099</u>	<u>\$ 1,087,075</u>

**5 Equipment**

	<u>Cost</u>						<u>Balance at March 31, 2020</u>
	<u>Balance at January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	
Equipment	<u>\$ 39,798</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 39,798</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 39,798</u>

	<u>Accumulated Depreciation</u>						<u>Balance at March 31, 2020</u>
	<u>Balance at January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	
Equipment	<u>\$ 29,667</u>	<u>\$ 2,026</u>	<u>\$ ---</u>	<u>\$ 31,693</u>	<u>\$ 405</u>	<u>\$ ---</u>	<u>\$ 32,098</u>

	<u>Net Book Value</u>	
	<u>Balance at March 31, 2020</u>	<u>Balance at December 31, 2019</u>
Equipment	<u>\$ 7,700</u>	<u>\$ 8,105</u>

**6. Investment**

Investment is comprised of a guaranteed investment certificate bearing interest at 2.71% per annum and matures February 25, 2021.

**7. Amount Due to Related Party and Related Party Transactions**

The amount due to related party is payable to a company controlled by a director of the Company, is secured by a general security agreement, bears no interest and has no specific terms of repayment.

Key management of the Company includes the Chief Executive Officer and Chief Financial Officer. There is no remuneration being paid to key management of the Company for the period ended March 31, 2020 and March 31, 2019.

**1421526 ALBERTA LTD.**

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

**7. Amount Due to Related Party and Related Party Transactions (Continued)**

During the year, the Company paid property management fees of \$18,760 (March 31, 2019 - \$18,310), included in common area costs, under a property management contract to a company controlled by a director of the Company.

**8. Shareholders' Loans**

Shareholders' loans are unsecured, bear no interest and have no specific terms of repayment.

**9. Mortgages Payable**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Mortgage payable due on August 15, 2020 with monthly instalments of \$15,987 (December 31, 2019 - \$15,987), interest at prime plus 0.75 % (December 31, 2019 – prime plus 0.75%) secured by the investment property with a carrying amount of \$ 14,104,276 (December 31, 2019 - \$14,065,000), general assignment of rent and a general security agreement	<b>\$ 2,053,404</b>	\$ 2,077,394
Mortgage payable with a maximum borrowing limit of \$666,459 due July 12, 2020 with blended monthly instalments and interest at prime plus 0.75 % (December 31, 2019 – prime plus 0.75%) per annum, secured by the investment property with a carrying amount of \$14,104,276 (December 31, 2019 - \$14,065,000), general assignment of rent and a general security agreement	<u><b>518,328</b></u>	<u>345,894</u>
	<b><u>\$ 2,571,732</u></b>	<b><u>\$ 2,423,288</u></b>

**10. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities are comprised of the following items:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Trade payables	<b>\$ 67,006</b>	\$ 66,480
Accrued liabilities	<u><b>36,202</b></u>	<u>24,132</u>
	<b><u>\$ 103,208</u></b>	<b><u>\$ 90,612</u></b>

**1421526 ALBERTA LTD.**

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

**11. Rental Revenue**

Rental revenue consists of the following components:

	<b>March 31, 2020</b>	March 31, 2019
Lease revenue <sup>(1)</sup>	<b>\$ 132,029</b>	\$ 138,405
Non-lease revenue <sup>(2)</sup>	<u>---</u>	<u>563</u>
	<b><u>\$ 132,029</u></b>	<b><u>\$ 138,968</u></b>

<sup>(1)</sup> Consists of lease revenue from commercial tenants and parking<sup>(2)</sup> Consists of revenue from non-lease items such as interest income**12. Commitment**

The Company entered a long-term agreement with a related party for property management purposes and is contractually obligated to pay 7% of the total gross rental incomes of the Property before the end of each calendar month to the related party.

**13. Share Capital**

Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares without nominal or par value

The preferred shares may be issued in one or more series and the board of directors are authorized to fix the number of shares in each series and determine the rights, privileges and conditions of the preferred shares.

	Number of Class A Common Shares	Amount
Balance, March 31, 2020 and December 31, 2019	<b><u>100</u></b>	<b><u>\$ 100</u></b>

**14. Supplemental Cash Flow Information**

Net changes in Non-Cash Working Capital Items

	<b>March 31, 2020</b>	March 31, 2019
Accounts receivable	<b>\$ (4,231)</b>	\$ (7,418)
Goods and services tax receivable	<b>163</b>	15,866
Security deposits	<b>---</b>	(500)
Accounts payable and accrued liabilities	<b><u>12,596</u></b>	<u>17,869</u>
	<b><u>\$ 8,528</u></b>	<b><u>\$ 25,817</u></b>

## 1421526 ALBERTA LTD.

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

### 15. Financial Instruments

#### Fair Value

Financial instruments include cash, accounts receivable, security deposits, investments, mortgage payable, amount due to related party, shareholders' loans and accounts payable and accrued liabilities.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

As at March 31, 2020 and December 31, 2019, the Company has no financial instruments classified as "fair value through profit and loss".

The fair values of the Company's financial instruments are presented in the table below:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
<b>Financial Assets Measured at Amortized Cost:</b>		
Cash	(A) \$ 80,075	(A) \$ 39,489
Accounts receivable	(A) \$ 44,083	(A) \$ 39,852
Investment	(A) \$ 38,079	(A) \$ 38,079
<b>Financial Liabilities Measured at Amortized Cost:</b>		
Accounts payable and accrued liabilities	(A) \$ 103,208	(A) \$ 90,612
Amount due to related party	(A) \$ 106,362	(A) \$ 209,273
Mortgage payable	(B) \$ 2,571,732	(B) \$ 2,423,288
Shareholders' loans	(A) \$ 3,955,842	(A) \$ 3,955,842

- (A) The fair value of cash, accounts receivable, investment, accounts payable and accrued liabilities, amount due to related party, and shareholders' loans approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.
- (B) The fair value of mortgage payable, measured at a fair value level 2, is determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

## 1421526 ALBERTA LTD.

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

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### 15. Financial Instruments (Continued)

#### Financial risk management

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

#### Market risk

Market risk includes currency risk and interest rate risk. The Company is not susceptible to any currency risk as all financial instruments are denominated in Canadian dollars.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is susceptible to interest rate cash flow risk on its mortgage payable that bears a variable interest rate.

#### Credit risk

The Company is exposed to credit risk due to unexpected losses that could occur if a tenant fails to satisfy its lease obligations. Credit risk for the Company arises from the accounts receivable from tenants. The Company's maximum exposure to credit risk is equal to the carrying value of the financial asset. The Company mitigates its credit risk by attracting tenants with good credit and by limiting exposure to any one tenant.

The aging of accounts receivable is as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Current	\$ 32,789	\$ 39,852
31-90 days	11,294	---
91 + days	---	---
	<u>\$ 44,083</u>	<u>\$ 39,852</u>

#### Liquidity risk

The Company's exposure to liquidity risk is dependent on generating rental revenue to sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company's contractual obligation consists of accounts payable and accrued liabilities of \$103,208 (December 31, 2019 - \$90,612) that have a contractual maturity within one year. There is no contractual maturity for the amounts due to related party and shareholders' loans as there are no terms of repayment. The mortgages payable have terms maturing in in the current year.

## 1421526 ALBERTA LTD.

(Unaudited)

Notes to the Interim Condensed Financial Statements

For the period ended March 31, 2020

(Expressed in Canadian dollars)

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### 16. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures.

The capital structure consists of the following components:

	<b>March 31, 2020</b>	December 31, 2019
Mortgages payable	<b>\$ 2,571,732</b>	\$ 2,423,288
Amount due to related party	<b>106,362</b>	209,273
Shareholders' loans	<b>3,955,842</b>	3,955,842
Equity	<b><u>5,232,256</u></b>	<u>5,206,860</u>
	<b><u>\$ 11,866,192</u></b>	<u>\$ 11,795,263</u>

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through its commercial rental activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the period ended March 31, 2020 and December 31, 2019.

The Company is subject to bank covenants which must be maintained for their mortgage payable. As at March 31, 2020, the Company is in compliance with its bank covenants.

### 17. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. COVID-19 could affect the impact the ability of the Company to collect rent in certain instances and may increase the Company's exposure to credit risk on accounts receivable as a result of the impact of COVID-19 on the tenant's of the investment property. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

### 18. Subsequent Event

The Company, shareholders of 1421526 Alberta Ltd. and Trusted Brand 2016 Inc. ("Trusted Brand") have entered into an agreement for Trusted Brand to acquire all the outstanding shares of 1421526 Alberta Ltd. from the Company's shareholders in exchange for 15,800,000 Common Shares and 21,062,905.15 Series I Preferred Shares of Trusted Brand. Trusted Brand will also issue 19,779,208 Series II Preferred Shares to settle the Company's shareholders' loans of \$3,955,841.

## **APPENDIX "D"**

Management's Discussion & Analysis (MD&A) of Alberta 1421526 Ltd. in connection with the years ended December 31, 2019, December 31, 2018 and December 31, 2017 and unaudited interim financial statements for the period ended March 31, 2020

## **1421526 Alberta Ltd - Management's Discussion and Analysis ("MD&A") – 2019**

The following management discussion and analysis as of June 18, 2020 is provided to enhance the reader's understanding of, and should be read in conjunction with, 1421526 Alberta Ltd. 's (the "Company") annual audited financial statements for the year ended December 31, 2019, and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

### **About 1421526 Alberta Ltd.**

The Company is owned by Lui Holdings Corporation and 991799 Alberta Ltd. and is affiliated with the Yorkton group of companies (“Yorkton Group”), with a focus mainly on real estate developments and investments. Yorkton Group owns and develops properties in Edmonton, Alberta, and Surrey, British Columbia.

The Company is an Alberta corporation incorporated under the *Business Corporations Act* (Alberta) on August 25, 2008, with its principal offices located at 3165 Manulife Place, 10180 – 101 Street, Edmonton, T5J 3S4 and its registered office located at 9322 Jasper Avenue NW, Edmonton, Alberta, T5H 3T5. The Company does not have any corporate subsidiaries.

### **Core Business**

The Company is the owner of a two storey retail and commercial building referred to as Pacific Rim Mall located at 9700 – 105th Avenue NW, Edmonton, Alberta which is situated on a 26,400 square foot land base together with a contiguous 34,845 square foot gravel parking lot along 98th Street and 105th Avenue in Edmonton, Alberta that is zoned for future development (the “Property”). The Company commercially operates the Property on a lease out basis which provides for a steady cash flow.

### **Objectives and Strategy**

1. The Company plans on becoming a public company and a definitive agreement was signed on June 18, 2020 with Trusted Brand 2016, Inc., a capital pool company pursuant to TSX Venture Policy 2.4, listed on the TSX Venture Exchange.

2. After listing on the TSX Venture Exchange, the Company as a public company plans to access the capital markets to raise funds to further develop the Property and to seek expansion opportunities of high-quality, income producing properties to add to its portfolio.
3. Given the appropriate economic conditions, the Property is ready to be developed into two high rise commercial and residential condominiums.
4. The Company intends to expand into a Real Estate Income Trust (REIT) business in the future.

## **Overall Performance**

### **Selected Annual Information**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Assets	\$14,205,697	\$14,186,884	\$14,066,213
Total Current Liabilities	\$6,739,868*	\$6,693,103	\$6,820,997
Total Long-term Liabilities	\$2,258,969	\$2,495,150	\$2,495,150
Total Liabilities	\$8,998,837	\$9,188,253	\$9,263,864
Equity	\$5,206,860	\$4,998,631	\$4,222,349
Revenue	\$538,336	\$512,587	\$461,899
Expenses	\$537,045	\$510,150	\$414,015
Income Taxes	\$ -	\$ -	\$ -
Deferred Income Tax Expense (Recovery)	(\$236,181)	\$72,283	(\$20,710)
Net Income (Loss)	\$208,229	\$176,282	\$ 27,348
Number of Shares Outstanding	100	100	100
Income (Loss) per Share	\$2,082.29	\$1,762.82	\$273.48
Debt to Equity Ratio	<b>1.73a</b>	<b>1.84a</b>	<b>2.19a</b>

\* Total Current Liabilities included a \$2,423,288 @ year end 2019 (\$2,535,556 – 2018) mortgage payable. The terms and maturity date are disclosed in Note 9 in the quarterly statement. The debt to equity ratio has decreased over the years because management practices conservatism by retaining profit in the company and pays down loans.

	<b>2019</b>	<b>2018</b>

Revenues	<b>\$538,336</b>	\$512,587
Expenses	<b>\$537,045</b>	\$510,150
Income Tax (Recovery)	\$ -	\$ -
Deferred Income Tax (Recovery)	<b>\$ (236,181)</b>	\$ 72,283
Net Income (Loss)	<b>\$208,229</b>	\$176,282

### **Discussion of Operations and Financial Condition:**

#### **Revenue**

Total net revenue for the year 2019 was \$538,336, an increase of 5.0% from 2018- \$512,587. Revenue increased from the prior year as a result of lease renewals during 2019.

#### **Expenses**

Total expenses for the year 2019 were \$537,045, an increase of 5.2% over 2018 \$510,150. Overall expenses have remained stable over the prior year. The increase was due mainly to the increase of \$40,000 of management fees (2019 - \$380,000, 2018 - \$340,000).

#### **Capital Resources**

As at December 31, 2019, the Company had cash of \$39,489 (2018 — \$134,693) and a working capital deficiency of \$6,645,355 (2018 - \$6,501,350). Working capital is calculated as current assets less current liabilities. The mortgage on the Property is due in fiscal 2020 and is included in current liabilities and as such significantly contributes to the working capital deficiency. Cash from operations was positive. Financing activities included the net repayment of advances from related party, scheduled repayments on the mortgage, and interest payments.

Capital expenditures are generally funded by cash on hand, and/or cash provided by operating activities, or by obtaining new financing. The Company has enrolled in a City

of Edmonton Business Improvement Grant program and took out a new loan for upgrading the facade of the Property.

Another significant use of cash will be for the acquisition of or investment in new properties. The Company is actively and continuously seeking such new real estate investment opportunities.

### **Capital Management**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which includes administrative costs and general expenditures.

The capital structure consists of the following components:

	<u>2019</u>	<u>2018</u>
Mortgage payables	\$ 2,423,288	\$ 2,535,556
Amount due to related party	209,273	142,329
Shareholders' loans	3,955,842	3,915,942
Equity	<u>5,206,860</u>	<u>4,998,631</u>
	\$11,795,263	\$11,592,458

In managing capital, the Company plans its future cash requirements by preparing an annual budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through its commercial rental activities and through obtaining financing as necessary. There are no assurances that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the period ended December 31, 2019.

The Company is subject to bank covenants which must be maintained with respect to the mortgage and payments. As at December 31, 2019, the Company is in compliance with its bank covenants.

### **Commercial Rental Leases**

IFRS requires the Company to classify all leases as either operating leases or finance leases. In particular long term tenant leases where the Company is the lessor and retains all significant risks and rewards of ownership of the Property should be accounted for as operating leases pursuant to IFRS. At the 2019 year end, all leases with the Company have been recorded as operating leases.

### **Economic Risk**

The performance of real estate investments is impacted by local market conditions, which in turn can be affected by national or global economic conditions. Economic trends can also be exacerbated in smaller markets, resulting in greater risk. The Company mitigates economic risk by focusing on larger markets, maintaining tenants from various industries, and maintaining high quality properties. Since 2018 the world oil price collapsed, the company revised its economic outlook accordingly.

### **Fair value risk**

Real estate markets are in a constant state of flux and prices and values can vary in a short timeframe due to such factors as economic conditions, the general desirability of real estate investments, the number and nature of potential purchasers in the market, the availability of comparable investment opportunities, the motivation of vendors, the availability and cost of financing, and other factors. Changes in fair value will result in gains or losses in earnings being recorded in the financial statements, although these would be non-cash gains or losses until such time as a property is sold (Note 4 & 12). Upon sale, there is a risk that the Company may realize sale proceeds of less, or even significantly less, than the fair value recorded in its real estate investments. In addition, transaction costs are not included in the fair value of investment properties which will reduce fair value gain (or increase the loss) on disposal of investment properties. Lower property value may also make refinancing of maturing mortgages more difficult, although with low leverage, this is less likely to occur.

### **Credit risk**

Tenant default can occur because of economic conditions or tenant specific circumstances. The Company manages this risk by having multiple tenants, retaining security deposits on leases, staggering lease expiry dates, and screening tenants for longevity and credit worthiness.

### **Interest rate risk**

Future interest rates can significantly positively or negatively affect net returns.

### **Financing risk**

There is the risk that the Company will be unable to obtain satisfactory financing when required, particularly to refinance maturing debt. This risk is mitigated by actively managing the Company's capacity to service debt, and by maintaining good borrowing relations with sound lenders.

### **Property Loss Risk**

The Company contracts with an insurance agency that specializes in commercial insurance. The insurance coverage is reviewed annually for each property with due consideration of various liabilities.

## **Environmental risk**

Environmental liability is a risk for any owner in the real-estate industry, and primarily stems from the possibility of inheriting an existing unknown liability through the acquisition of a property or from environmental liability caused by a tenant. The Company manages the former risk by obtaining professional environmental assessments of potential acquisition properties as a condition of acquisition, which assessments, among other things, investigate the historical use and current condition of the property. The risk of potential environmental liability caused by a tenant is mitigated by screening tenants, by obliging tenants to be responsible for any environmental contamination or other issues caused by them, and by monitoring properties for any apparent environmental threats.

## **IFRS Accounting Policies**

The Company's significant accounting policies under IFRS are disclosed in its December 31, 2019 annual consolidated financial statements. IFRS has been adopted and implemented on financial statements since 2016.

## **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes.

There is a full discussion and description of the Company's critical accounting policies and estimates and judgments used in the December 31, 2019 and 2018 annual financial statements.

## **COVID-19**

With the spread of novel coronavirus (COVID-19) since late last year, COVID-19 has severely impacted local economies around the globe. The World Health Organization (WHO) has declared the outbreak of the COVID-19 as a pandemic. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and closures of offices, businesses, schools, retail

stores and other public venues, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have been responding with monetary and fiscal interventions in an effort to stabilize the economic conditions.

Management has determined that these events are non-adjusting subsequent events for financial reporting purposes. Accordingly, the financial position and results of the operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The extent and duration of the impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, are currently uncertain and it is not possible to reliably assess and predict the impact on the future financial position and operating result of the Company.

### **Forward Looking Information**

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical acts and are subject to risks and uncertainties which could cause actual results and the timing of certain events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the Company's proposed activities.

### **Subsequent Event**

On June 18, 2020 the Company, the shareholders of 1421526 Alberta Ltd. and Trusted Brand 2016 Inc. (“Trusted Brand”) entered into a definitive agreement for Trusted Brand to acquire all the outstanding shares of 142152 Alberta Ltd. from the Company’s shareholders in exchange for 15,800,000 Common Shares and 21,062,905.15 Series I Preferred Shares of Trusted Brand. Trusted Brand will also issue 19,779,208 Series II Preferred Shares to settle the Company’s shareholders’ loans of \$3,955,841. Trusted

Brand is a listed company on the TSX Venture Exchange under the Capital Pool Company 2.4.

## **Financial Instruments**

### **Fair Value**

Financial instruments include cash, accounts receivable, security deposits, investments, mortgage payable, amount due to related party, shareholders' loans and accounts payable and accrued liabilities.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

As at December 31, 2019 and December 31, 2018, the Company has no financial instruments classified as "fair value through profit and loss".

The fair values of the Company's financial instruments are presented in the table below:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Financial Assets Measured at Amortized Cost:</b>		
Cash	(A) \$ 39,489	(A) \$ 134,693
Accounts receivable	(A) \$ 39,852	(A) \$ 10,770
Investment	(A) \$ 38,079	(A) \$ 37,516

**Financial Liabilities Measured at Amortized Cost:**

Accounts payable and accrued Liabilities	(A) <b>\$ 90,6128</b>	(A) \$ 38,028
Amount due to related party	(A) <b>\$ 209,273</b>	(A) \$ 142,329
Mortgage payable	(B) <b>\$ 2,423,288</b>	(B) \$ 2,535,558
Shareholders' loans	(A) <b>\$ 3,955,842</b>	(A) \$ 3,915,942

(A) The fair value of cash, accounts receivable, investment, accounts payable and accrued liabilities, amount due to related party, and shareholders' loans approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

(B) The fair value of mortgage payable, measured at a fair value level 2, is determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

## **1421526 Alberta Ltd - Management's Discussion and Analysis ("MD&A") – 2018**

The following management discussion and analysis as of April 18, 2019 is provided to enhance the reader's understanding of, and should be read in conjunction with, 1421526 Alberta Ltd.'s (the "Company") annual audited financial statements for the year ended December 31, 2018 and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

### **About 1421526 Alberta Ltd.**

The Company is owned by Lui Holdings Corporation and 991799 Alberta Ltd. and is affiliated with the Yorkton group of companies ("Yorkton Group"), with a focus mainly on real estate developments and investments. Yorkton Group owns and develops properties in Edmonton, Alberta, and Surrey, British Columbia.

The Company is an Alberta corporation incorporated under the *Business Corporations Act* (Alberta) on August 25, 2008, with its principal offices located at 3165 Manulife Place, 10180 – 101 Street, Edmonton, T5J 3S4 and its registered office located at 9322 Jasper Avenue NW, Edmonton, Alberta, T5H 3T5. The Company does not have any corporate subsidiaries.

### **Core Business**

The Company is the owner of a two storey retail and commercial building referred to as Pacific Rim Mall located at 9700 – 105th Avenue NW, Edmonton, Alberta which is situated on a 26,400 square foot land base together with a contiguous 34,845 square foot gravel parking lot along 98th Street and 105th Avenue in Edmonton, Alberta that is zoned for future development (the "Property"). The Company commercially operates the Property on a lease out basis which provides for a steady cash flow.

### **Objectives and Strategy**

1. The Company is affiliated with the Yorkton Group which has been in business since 1989 and is celebrating its 30th birthday in 2019.

2. The Company plans to raise capital for the expansion of acquiring a portfolio of high-quality, income producing properties.
3. The Company will refine its business systems and implement new IT systems to enhance governance, human resource, transparency, financial reporting and community involvements.

## **Overall Performance**

### **Selected Annual Information**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total Assets	\$14,186,884	\$14,066,213	\$13,943,405@
Total Current Liabilities	\$6,693,103*	\$6,820,997	\$6,704,827
Total Long-term Liabilities	\$2,495,150	\$2,495,150	\$2,443,577
Total Liabilities	\$9,188,253	\$9,263,864	\$9,148,404
Equity	\$4,998,631	\$4,222,349	\$4,795,001
Revenue	\$512,587	\$461,899	\$591,083
Expenses	\$510,150	\$414,015	\$382,584
Income Taxes	\$ -	\$ -	\$ -
Deferred Income Tax Expense (Recovery)	\$72,283	(\$20,710)	(\$277,322)@
Net Income (Loss)	\$176,282	\$ 27,348	(\$166,174)
Number of Shares Outstanding	100	100	100
Income (Loss) per Share	\$1,762.82	\$273.48	(\$1,661.74)

\* Total Current Liabilities included a \$2,449,419 @ year end 2018 (\$ 2,455,451 – 2017) mortgage payable. The terms and maturity date are disclosed in Note 12 in the financial statement. @ IFRS was adopted in 2016 and the Investment Property was appraised to FMV (Fair Market Value). Deferred Income Taxes was recorded accordingly.

## **Discussion of Operations and Financial Condition:**

**Revenue** Total net revenue for the year 2018 was \$512,587, an increase of 10.9% from 2017-\$461,899. Revenue has increased from the prior year as a result higher occupancy.

**Expenses** Total expenses for the year 2018 were \$510,150, an increase of 23.2% over 2017 (\$414,015).The increase is due to management fees of \$189,000 as disclosed in Note 10. Overall expenses have remained stable over the prior year.

## **Capital Resources**

As at December 31, 2018, the Company had cash of \$134,693 (Dec 31, 2017 - \$282,736) and a working capital deficiency of \$6,501,350 (Dec 31, 2017 - \$6,504,410). Working capital is calculated as current assets less current liabilities. The mortgage on the Property is due on demand and is included in current liabilities (Note 9), and as such significantly contributes to the working capital deficiency. Cash from operations was positive. Financing activities included the net repayment of advances from a related party, scheduled repayments on the mortgage, and interest payments.

Capital expenditures are generally funded by cash on hand, and/or cash provided by operating activities, or by obtaining new financing. The Company will participate in a City Grant program to upgrade the facade of the mall.

Another significant use for cash may be the acquisition of or investment in new properties. The Company is actively and continuously seeking new investment opportunities.

## **Capital Management**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities including administrative costs and general expenditures.

In managing capital, the Company estimates its future cash requirements by preparing an annual budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is

primarily managed through its commercial rental activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the period ended December 31, 2018.

The Company is subject to bank covenants which must be maintained for the mortgage. As at December 31, 2018, the Company is in compliance with its bank covenants.

### **Commercial Rental Leases**

IFRS requires the Company to classify all leases as either operating leases or finance leases. In particular long term tenant leases where the Company is the lessor and retains all significant risks and rewards of ownership of the Property should be accounted for as operating leases pursuant to IFRS. At the 2018 year end, all leases with the Company have been recorded as operating leases.

### **Economic Risk**

The performance of real estate investments is impacted by local market conditions, which in turn can be affected by national or global economic conditions. Economic trends can also be exacerbated in smaller markets, resulting in greater risk. The Company mitigates economic risk by focusing on larger markets, maintaining tenants from various industries, and maintaining high quality properties. Since 2018 the world oil price collapsed, the Company revised its economic outlook accordingly.

### **Fair value risk**

Real estate markets are in a constant state of flux and prices and values can vary in a short timeframe due to such factors as economic conditions, the general desirability of real estate investments, the number and nature of potential purchasers in the market, the availability of comparable investment opportunities, the motivation of vendors, the availability and cost of financing, and other factors. Changes in fair value will result in gains or losses in earnings being recorded in the financial statements, although these would be non-cash gains or losses until such time as a property is sold (Note 4 & 12). Upon sale, there is a risk that the Company may realize

sale proceeds of less, or even significantly less, than the fair value recorded in its real estate investments. In addition, transaction costs are not included in the fair value of investment properties which will reduce fair value gain (or increase the loss) on disposal of investment properties. Lower property value may also make refinancing of maturing mortgages more difficult, although with low leverage, this is less likely to occur.

### **Credit risk**

Tenant default can occur because of economic conditions or tenant specific circumstances. The Company manages this risk by having multiple tenants, retaining security deposits on leases, staggering lease expiry dates, and screening tenants for longevity and credit worthiness.

### **Interest rate risk**

Future interest rates can significantly positively or negatively affect net returns.

### **Financing risk**

There is the risk that the Company will be unable to obtain satisfactory financing when required, particularly to refinance maturing debt. This risk is mitigated by actively managing the Company's capacity to service debt, and by maintaining good borrowing relations with sound lenders.

### **Property Loss Risk**

The Company contracts with an insurance agency that specializes in commercial insurance. The insurance coverage is reviewed annually for each property with due consideration of various liabilities.

### **Environmental risk**

Environmental liability is a risk for any owner in the real-estate industry, and primarily stems from the possibility of inheriting an existing unknown liability through the acquisition of a property or from environmental liability caused by a tenant. The Company manages the former risk by obtaining professional environmental assessments of potential acquisition properties as a condition of acquisition, which assessments, among other things, investigate the historical use and current condition of the property. The risk of potential environmental liability caused by a tenant is

mitigated by screening tenants, by obliging tenants to be responsible for any environmental contamination or other issues caused by them, and by monitoring properties for any apparent environmental threats.

### **IFRS Accounting Policies**

The Company's significant accounting policies under IFRS are disclosed in its December 31, 2018 annual consolidated financial statements. IFRS has been adopted and implemented on financial statements since 2016.

### **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes.

There is a full discussion and description of the Company's critical accounting policies and estimates and judgments used in the December 31, 2018 and 2017 annual financial statements.

### **Forward Looking Information**

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical facts and are subject to risks and uncertainties which could cause actual results and the timing of certain events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the Company's proposed activities.

## **1421526 Alberta Ltd - Management's Discussion and Analysis ("MD&A") – 2017**

The following management discussion and analysis as of April 18, 2018 is provided to enhance the reader's understanding of, and should be read in conjunction with, 1421526 Alberta Ltd.'s (the "Company") annual audited financial statements for the year ended December 31, 2017 and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

### **About 1421526 Alberta Ltd.**

The Company is owned by Ben Lui and 991799 Alberta Ltd. and is affiliated with the Yorkton group of companies ("Yorkton Group"), with a focus mainly on real estate developments and investments. Yorkton Group owns and develops properties in Edmonton, Alberta, and Surrey, British Columbia.

The Company is an Alberta corporation incorporated under the *Business Corporations Act* (Alberta) on August 25, 2008, with its principal offices located at 2430 Manulife Place, 10180 – 101 Street, Edmonton, T5J 3S4 and its registered office located at 9322 Jasper Avenue NW, Edmonton, Alberta, T5H 3T5. The Company does not have any corporate subsidiaries.

### **Core Business**

The Company is the owner of a two storey retail and commercial building referred to as Pacific Rim Mall located at 9700 – 105th Avenue NW, Edmonton, Alberta which is situated on a 26,400 square foot land base together with a contiguous 34,845 square foot gravel parking lot along 98th Street and 105th Avenue in Edmonton, Alberta that is zoned for future development (the "Property"). The Company commercially operates the Property on a lease out basis which provides for a steady cash flow.

### **Objectives and Strategy**

1. The Company is affiliated with the Yorkton Group which has been in business since 1989 and is planning for celebrating its 30th birthday.

2. The Company plans to raise capital for the expansion of acquiring a portfolio of high-quality, income producing properties.
3. The Company will upgrade the mall for appearance and enhance traffic and footfall for tenants.

## **Overall Performance**

### **Selected Annual Information**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Assets	\$14,066,213	\$13,943,405	13,712,357
Total Current Liabilities	\$6,820,997*	\$6,704,827*	6,584,927*
Total Long-term Liabilities	\$2,495,150	\$2,443,577	2,166,255
Total Liabilities	\$9,263,864	\$9,148,404	8,751,182
Equity	\$4,822,349	\$4,795,001	4,961,175
Revenue	\$461,899	\$591,083	345,891
Expenses	\$414,015	\$382,584	118,700
Income Taxes	\$ -	\$ -	\$7,851
Deferred Income Tax Expense (Recovery)	(\$20,710)	(\$277,322)	\$376,941
Net Income (Loss)	\$ 27,348	(\$166,174)	\$1,057,321
Number of Shares Outstanding	100	100	100
Income (Loss) per Share	\$273.48	(\$1,661.74)	\$10,573.21
Debt to Equity	1.92	1.90	1.76

\* Total Current Liabilities included a \$2,562,364 @ year end 2017 (\$ 2,449,419 – 2016) mortgage payable. The terms and maturity date are disclosed in Note 9 in the financial statement.

IFRS was adopted in 2016 and the Investment Property was appraised to FMV (Fair Market Value). Deferred Income Taxes was recorded accordingly.

## **Discussion of Operations and Financial Condition:**

**Revenue** Total net revenue for the year 2017 was \$5,461,899, a decrease of 21.9% from 2016-\$591,083. Revenue has decreased from the prior year as a result higher vacancy and the collapse of world oil price.

**Expenses** Total expenses for the year 2017 were \$414,015, an increase of 8.2% over 2016 (\$382,584). The increase is due to management fees of \$240,000 (2016-\$189,000). Overall expenses have remained stable over the prior year.

## **Capital Resources**

As at December 31, 2017, the Company had cash of \$282,736 (Dec 31, 2016 - \$216,717) and a working capital deficiency of \$ 6,504,410 (Dec 31, 2016 - \$6,322,074). Working capital is calculated as current assets less current liabilities. The mortgage on the Property is due on demand and is included in current liabilities (Note 9), and as such significantly contributes to the working capital deficiency. Cash from operations was positive. Financing activities included the net repayment of advances from a related party, scheduled repayments on the mortgage, and interest payments.

Capital expenditures are generally funded by cash on hand, and/or cash provided by operating activities, or by obtaining new financing.

Another significant use for cash may be the acquisition of or investment in new properties. The Company is actively and continuously seeking new investment opportunities.

## **Capital Management**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities including administrative costs and general expenditures.

In managing capital, the Company estimates its future cash requirements by preparing an annual budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is

primarily managed through its commercial rental activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the period ended December 31, 2017.

The Company is subject to bank covenants which must be maintained for the mortgage. As at December 31, 2017, the Company is in compliance with its bank covenants.

### **Commercial Rental Leases**

IFRS requires the Company to classify all leases as either operating leases or finance leases. In particular long term tenant leases where the Company is the lessor and retains all significant risks and rewards of ownership of the Property should be accounted for as operating leases pursuant to IFRS. At the 2017-year end, all leases with the Company have been recorded as operating leases.

### **Economic Risk**

The performance of real estate investments is impacted by local market conditions, which in turn can be affected by national or global economic conditions. Economic trends can also be exacerbated in smaller markets, resulting in greater risk. The Company mitigates economic risk by focusing on larger markets, maintaining tenants from various industries, and maintaining high quality properties. In January 2016, the daily spot price of West Texas Intermediate (WTI) crude oil reached its lowest point in 13 years of US\$26.68 per barrel. With the 2016 world oil price collapse, the Company revised its economic outlook and its operational activities accordingly.

### **Fair value risk**

Real estate markets are in a constant state of flux and prices and values can vary in a short timeframe due to such factors as economic conditions, the general desirability of real estate investments, the number and nature of potential purchasers in the market, the availability of comparable investment opportunities, the motivation of vendors, the availability and cost of financing, and other factors. Changes in fair value will result in gains or losses in earnings being

recorded in the financial statements, although these would be non-cash gains or losses until such time as a property is sold (Note 4 & 5). Upon sale, there is a risk that the Company may realize sale proceeds of less, or even significantly less, than the fair value recorded in its real estate investments. In addition, transaction costs are not included in the fair value of investment properties which will reduce fair value gain (or increase the loss) on disposal of investment properties. Lower property value may also make refinancing of maturing mortgages more difficult, although with low leverage, this is less likely to occur.

### **Credit risk**

Tenant default can occur because of economic conditions or tenant specific circumstances. The Company manages this risk by having multiple tenants, retaining security deposits on leases, staggering lease expiry dates, and screening tenants for longevity and credit worthiness.

### **Interest rate risk**

Future interest rates can significantly positively or negatively affect net returns. We speculate the interest rate will stay low for 2018 and the coming 5 years.

### **Financing risk**

There is the risk that the Company will be unable to obtain satisfactory financing when required, particularly to refinance maturing debt. This risk is mitigated by actively managing the Company's capacity to service debt, and by maintaining good borrowing relations with sound lenders.

### **Property Loss Risk**

The Company contracts with an insurance agency that specializes in commercial insurance. The insurance coverage is reviewed annually for each property with due consideration of various liabilities.

### **Environmental risk**

Environmental liability is a risk for any owner in the real-estate industry, and primarily stems from the possibility of inheriting an existing unknown liability through the acquisition of a property or from environmental liability caused by a tenant. The Company manages the former risk by

obtaining professional environmental assessments of potential acquisition properties as a condition of acquisition, which assessments, among other things, investigate the historical use and current condition of the property. The risk of potential environmental liability caused by a tenant is mitigated by screening tenants, by obliging tenants to be responsible for any environmental contamination or other issues caused by them, and by monitoring properties for any apparent environmental threats.

### **IFRS Accounting Policies**

The Company's significant accounting policies under IFRS are disclosed in its December 31, 2017 annual consolidated financial statements. IFRS has been adopted and implemented on financial statements since 2016. As of 2015, Canadian GAAP for all publicly accountable enterprises is IFRS Standards. The company has plans to go public in the near future.

### **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes.

There is a full discussion and description of the Company's critical accounting policies and estimates and judgments used in the December 31, 2017 and 2016 annual financial statements.

### **Forward Looking Information**

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical facts and are subject to risks and uncertainties which could cause actual results and the timing of certain events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the Company's proposed activities.

## **1421526 Alberta Ltd. Management's Discussion and Analysis ("MD&A") March 31<sup>st</sup>, 2020 Q1**

The following management discussion and analysis as of July 11, 2020 is provided to enhance the reader's understanding of, and should be read in conjunction with, 1421526 Alberta Ltd.'s (the "Company") annual audited financial statements for the year ended December 31, 2019 and the unaudited interim financial statements for the three-month period ended March 31, 2020, and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

### **About 1421526 Alberta Ltd.**

The Company is owned by Lui Holdings Corporation and 991799 Alberta Ltd. and is affiliated with the Yorkton group of companies ("Yorkton Group"), with a focus mainly on real estate developments and investments. Yorkton Group owns and develops properties in Edmonton, Alberta, and Surrey, British Columbia.

The Company is an Alberta corporation incorporated under the *Business Corporations Act* (Alberta) on August 25, 2008, with its principal offices located at 3165 Manulife Place, 10180 – 101 Street, Edmonton, T5J 3S4 and its registered office located at 9322 Jasper Avenue NW, Edmonton, Alberta, T5H 3T5. The Company does not have any corporate subsidiaries.

### **Core Business**

The Company is the owner of a two storey retail and commercial building referred to as Pacific Rim Mall located at 9700 – 105th Avenue NW, Edmonton, Alberta which is situated on a 26,400 square foot land base together with a contiguous 34,845 square foot gravel parking lot along 98th Street and 105th Avenue in Edmonton, Alberta that is zoned for future development (the "Property"). The Company commercially operates the Property on a lease out basis that provides for a steady cash flow.

### **Objectives and Strategy**

1. The Company plans on becoming a public company and a definitive agreement was signed on June 18, 2020 with Trusted Brand 2016, Inc., a capital pool company pursuant to TSX Venture Policy 2.4, listed on the TSX Venture Exchange.

2. After listing on the TSX Venture Exchange, the Company as a public company plans to access the capital markets to raise funds to further develop the Property and to seek expansion opportunities of high-quality, income producing properties to add to its portfolio.
3. Given the appropriate economic conditions, the Property is ready to be developed into two high rise commercial and residential condominiums.
4. The Company intends to expand into a Real Estate Income Trust (REIT) business in the future.

## **Overall Performance**

### **Selected Annual Information**

	<b>Q1-Mar 31, 2020</b>	<b>2019</b>	<b>2018</b>
Total Assets	\$14,289,222	\$14,205,697	\$14,186,884
Total Current Liabilities	\$6,797,997*	\$6,739,868*	\$6,693,103
Total Long-term Liabilities	\$2,258,969	\$2,258,969	\$2,495,150
Total Liabilities	\$9,056,966	\$8,998,837	\$9,188,253
Equity	\$5,232,256	\$5,206,860	\$4,998,631
Revenue	\$126,478	\$538,336	\$512,587
Expenses	\$101,082	\$537,045	\$510,150
Income Taxes	\$ -	\$ -	\$ -
Deferred Income Tax Expense (Recovery)	\$ -	(\$236,181)	\$72,283
Net Income (Loss)	\$25,396	\$208,229	\$176,282
Number of Shares Outstanding	100	100	100
Income (Loss) per Share	\$253.96	\$2,082.29	\$1,762.82

\* Total Current Liabilities included a \$2,571,732 @ March 31, 2020 (\$ 2,423,288 – 2019) mortgage payable. The terms and maturity date re disclosed in Note 9 in the quarterly statement.

	<b>Q1- Mar 31, 2020</b>	<b>Q1 - Mar 31, 2019</b>
Revenues	<b>\$126,478</b>	\$133,541
Expenses	<b>\$101,082</b>	\$37,627
Income Tax (Recovery)	\$ -	\$ -
Deferred Income Tax (Recovery)	\$ -	\$ -
Net Income (Loss)	<b>\$25,396</b>	\$95,914

### **Discussion of Operations and Financial Condition:**

#### **Revenue**

Total net revenue for the quarter was \$126,478, a decrease of 5.1% from Q1 2019- \$133,541. Revenue has decreased from the prior year as a result of Covid-19.

#### **Expenses**

Total expenses for the quarter were \$101,082, an increase of 168.6% over 2019 (\$37,627). Professional fees for going public totaling \$57,566 was expensed in Q1 – March 31, 2020. Overall expenses have remained stable over the prior year.

#### **Capital Resources**

As at March 31, 2020, the Company had cash of \$80,075 (March 31, 2019 — \$39,489) and a working capital deficiency of \$6,658,830 (March 31, 2019 - \$6,645,355). Working capital is calculated as current assets less current liabilities. The mortgages on the commercial property are due in fiscal 2020 and are included in current liabilities and as such significantly contributes to the working capital deficiency. Cash from operations was positive. Financing activities included the net repayment of advances from related party, scheduled repayments on the mortgages, and interest payments.

Capital expenditures are generally funded by cash on hand, and/or cash provided by operating activities, or by obtaining new financing. The Company participated in a City Grant program. It took out a new loan for upgrading the facade of the mall.

Another significant use for cash could be the acquisition of or investment in new properties. The Company is actively and continuously seeking new investment opportunities.

### **Capital Management**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures.

The capital structure consists of the following components:

	March 31, 2020	December 31, 2019
Mortgage payables	\$ 2,571,732	\$ 2,423,288
Amount due to related party	106,362	209,273
Shareholders' loans	3,955,842	3,955,842
Equity	<u>5,232,256</u>	<u>5,206,860</u>
	\$11,866,192	\$11,795,263

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through its commercial rental activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the period ended March 31, 2020 and December 31, 2019.

The Company is subject to bank covenants which must be maintained for their mortgage payable. As at March 31, 2020, the Company is in compliance with its bank covenants.

### **Commercial Rental Leases**

IFRS requires the Company to classify all leases as either operating leases or finance leases. In particular long term tenant leases where the Company is the lessor and retains all significant risks and rewards of ownership of the Property should be accounted for as operating leases

pursuant to IFRS. At the quarter end of March 31<sup>st</sup>, 2020, all leases with the Company have been recorded as operating leases.

### **Economic Risk**

The performance of real estate investments is impacted by local market conditions, which in turn can be affected by national or global economic conditions. Economic trends can also be exacerbated in smaller markets, resulting in greater risk. The Company mitigates economic risk by focusing on larger markets, maintaining tenants from various industries, and maintaining high quality properties.

### **Fair value risk**

Real estate markets are in a constant state of flux and prices and values can vary in a short timeframe due to such factors as economic conditions, the general desirability of real estate investments, the number and nature of potential purchasers in the market, the availability of comparable investment opportunities, the motivation of vendors, the availability and cost of financing, etc. Changes in fair value will result in gains or losses in earnings being recorded in the financial statements, although these would be non-cash gains or losses until such time as a property is sold. Upon sale, there is a risk that the Company may realize sale proceeds of less, or even significantly less, than the fair value recorded in its real estate investments. In addition, transaction costs are not included in the fair value of investment properties which will reduce fair value gain (or increase the loss) on disposal of investment properties. Lower property value may also make refinancing of maturing mortgages more difficult, although with low leverage, this is less likely to occur.

### **Credit risk**

Tenant default can occur because of economic conditions or tenant specific circumstances. The Company manages this risk by having multiple tenants, retaining security deposits on leases, staggering lease expiry dates, and screening tenants for longevity and credit worthiness.

### **Interest rate risk**

Future interest rates can significantly positively or negatively affect net returns.

### **Financing risk**

There is the risk that the Company will be unable to obtain satisfactory financing when required, particularly to refinance maturing debt. This risk is mitigated by actively managing the Company's capacity to service debt, and by maintaining good borrowing relations with sound lenders.

### **Property Loss Risk**

The Company contracts with an insurance agency that specializes in commercial insurance. Insurance coverage is reviewed annually for each property with due consideration of various liabilities.

### **Environmental risk**

Environmental liability is a risk for any owner in the real-estate industry, and primarily stems from the possibility of inheriting an existing unknown liability through the acquisition of a property or from environmental liability caused by a tenant. The Company manages the former risk by obtaining professional environmental assessments of potential acquisition properties as a condition of acquisition, which assessments, among other things, investigate the historical use and current condition of the property. The risk of potential environmental liability caused by a tenant is mitigated by screening tenants, by obliging tenants to be responsible for any environmental contamination or other issues caused by them, and by monitoring properties for any apparent environmental threats.

### **Off — Balance Sheet Arrangements**

As at March 31, 2020, the Company did not enter into any off-balance sheet arrangements.

### **Contingencies**

Management of the Company is not aware of any contingent liabilities as at March 31, 2020.

### **Share Structure**

The Company has 100 common shares outstanding at March 31, 2020.

## **Transactions with Related Parties**

Key management of the Company includes the Chief Executive Officer and Chief Financial Officer. No remuneration was paid. During the period, the Company charged a total of \$18,760 (March 31, 2019 - \$18,309) to an entity owned and controlled by one of the directors of the Company as property management fee.

## **COVID-19**

With the spread of novel coronavirus (COVID-19) since late last year, COVID-19 has severely impacted local economies around the globe. The World Health Organization (WHO) has declared the outbreak of the COVID-19 as a pandemic. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and closures of offices, businesses, schools, retail stores and other public venues, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have been responding with monetary and fiscal interventions in an effort to stabilize the economic conditions.

Management has determined that these events are non-adjusting subsequent events for financial reporting purposes. Accordingly, the financial position and results of the operations as of and for the three-month period ended March 31, 2020 have not been adjusted to reflect their impact. The extent and duration of the impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, are currently uncertain and it is not possible to reliably assess and predict the impact on the future financial position and operating result of the Company.

## **Forward Looking Information**

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical acts and are subject to risks and uncertainties which could cause actual results and the timing of certain

events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the Company's proposed activities.

### **Subsequent Event**

On June 18, 2020 the Company, the shareholders of 1421526 Alberta Ltd. and Trusted Brand 2016 Inc. (“Trusted Brand”) entered into a definitive agreement for Trusted Brand to acquire all the outstanding shares of 142152 Alberta Ltd. from the Company’s shareholders in exchange for 15,800,000 Common Shares and 21,062,905.15 Series I Preferred Shares of Trusted Brand. Trusted Brand will also issue 19,779,208 Series II Preferred Shares to settle the Company’s shareholders’ loans of \$3,955,841. Trusted Brand is a listed company on the TSX Venture Exchange under the Capital Pool Company 2.4.

### **Financial Instruments**

#### Fair Value

Financial instruments include cash, accounts receivable, security deposits, investments, mortgage payable, amount due to related party, shareholders’ loans and accounts payable and accrued liabilities.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

As at March 31, 2020 and December 31, 2019, the Company has no financial instruments classified as “fair value through profit and loss”.

The fair values of the Company’s financial instruments are presented in the table below:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Financial Assets Measured at Amortized Cost:</b>		
Cash	(A) \$ <b>80,075</b>	(A) \$ 39,489
Accounts receivable	(A) \$ <b>44,083</b>	(A) \$ 39,852
Investment	(A) \$ <b>38,079</b>	(A) \$ 38,079
<b>Financial Liabilities Measured at Amortized Cost:</b>		
Accounts payable and accrued Liabilities	(A) \$ <b>103,208</b>	(A) \$ 90,612
Amount due to related party	(A) \$ <b>106,362</b>	(A) \$ 209,273
Mortgage payable	(B) \$ <b>2,571,732</b>	(B) \$ 2,423,288
Shareholders' loans	(A) \$ <b>3,955,842</b>	(A) \$ 3,955,842

(A) The fair value of cash, accounts receivable, investment, accounts payable and accrued liabilities, amount due to related party, and shareholders' loans approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

(B) The fair value of mortgage payable, measured at a fair value level 2, is determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

**APPENDIX "E"**

Unaudited pro forma financial statements of the Resulting Issuer as at March 31, 2020

**Trusted Brand 2016 Inc.**  
**(Unaudited)**  
Pro Forma Consolidated Financial Statements

**TRUSTED BRAND 2016 INC.****(Unaudited)**

Pro Forma Consolidated Balance Sheet

March 31, 2020

	Trusted Brand	1421526 Alberta Ltd.	ProForma Adjustments	Consolidated ProForma
<b>CURRENT ASSETS</b>				
Cash	167,933	80,075 (2a)	1,000,000	1,248,008
Accounts receivable	-	44,083	-	44,083
Goods and services tax receivable	-	14,345	-	14,345
Prepaid expenses	-	664	-	664
Deposits	6,522	-	-	6,522
	<u>174,455</u>	<u>139,167</u>	<u>1,000,000</u>	<u>1,313,622</u>
Investment	-	38,079	-	38,079
Equipment	-	7,700	-	7,700
Investment property	-	14,104,276	-	14,104,276
<b>TOTAL ASSETS</b>	<u><u>174,455</u></u>	<u><u>14,289,222</u></u>	<u><u>1,000,000</u></u>	<u><u>15,463,677</u></u>
<b>CURRENT LIABILITIES</b>				
Accounts payable and related payables	4,022	103,208	-	107,230
Mortgages payable	-	2,571,732	-	2,571,732
Shareholders' loans	-	3,955,842 (2c)	(3,955,842)	-
Amount due to related party	-	106,362	-	106,362
Security deposits	-	60,853	-	60,853
	<u>4,022</u>	<u>6,797,997</u>	<u>(3,955,842)</u>	<u>2,846,177</u>
Deferred income taxes	-	2,258,969	-	2,258,969
<b>TOTAL LIABILITIES</b>	<u>4,022</u>	<u>9,056,966</u>	<u>(3,955,842)</u>	<u>5,105,146</u>
<b>EQUITY</b>				
Share capital	557,986	100 (2b)	(1,156,320)	6,541,102
		(2a)	598,334	
		(2d)	2,585,160	
		(2c)	3,955,842	
Warrant reserve		(2a)	401,666	-
		(2b)	(401,666)	
Contributed surplus	118,557	- (2b)	(118,557)	-
Retained earnings (deficit)	(506,110)	5,232,156 (2b)	506,110	3,817,429
		(2d)	(1,414,727)	
	<u>170,433</u>	<u>5,232,256</u>	<u>4,955,842</u>	<u>10,358,531</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>174,455</u></u>	<u><u>14,289,222</u></u>	<u><u>1,000,000</u></u>	<u><u>15,463,677</u></u>

**TRUSTED BRAND 2016 INC.****(Unaudited)**

Pro Forma Consolidated Statement of Operations and Comprehensive Loss

Period Ended March 31, 2020

	Trusted Brand	1421526 Alberta Ltd.	ProForma Adjustments	Consolidated ProForma
Rental revenue	-	132,029	-	132,029
Recovery of operating expenses	-	115,678	-	115,678
Common area costs	-	(121,229)	-	(121,229)
Net rental income	-	126,478	-	126,478
Listing expense	-	-	(2d) 1,414,727	1,414,727
Professional fees	22,989	66,816	-	89,805
Interest on mortgages payable	-	28,251	-	28,251
Property taxes	-	4,537	-	4,537
Bank charges	-	452	-	452
Advertising and promotion	-	451	-	451
Depreciation	-	405	-	405
Utilities	-	170	-	170
Finance costs	67	-	-	67
Regulatory and filing fees	6,415	-	-	6,415
	<u>29,471</u>	<u>101,082</u>	<u>1,414,727</u>	<u>1,545,280</u>
<b>Income (loss) before fair value adjustments on investment property and income taxes</b>	<b>(29,471)</b>	<b>25,396</b>	<b>(1,414,727)</b>	<b>(1,418,802)</b>
Fair value adjustment on investment property	-	-	-	-
<b>Loss before income taxes</b>	<b>(29,471)</b>	<b>25,396</b>	<b>(1,414,727)</b>	<b>(1,418,802)</b>
Deferred income tax recovery	-	-	-	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b><u>(29,471)</u></b>	<b><u>25,396</u></b>	<b><u>(1,414,727)</u></b>	<b><u>(1,418,802)</u></b>

**TRUSTED BRAND 2016 INC.****(Unaudited)**

Pro Forma Consolidated Statement of Operations and Comprehensive Loss

Year ended December 31, 2019

	Trusted Brand	1421526 Alberta Ltd.	ProForma Adjustments	Consolidated ProForma
Rental revenue	-	562,693	-	562,693
Recovery of operating expenses	-	470,302	-	470,302
Common area costs	-	(494,659)	-	(494,659)
Net rental income	-	538,336	-	538,336
Listing expense	-	-	(2d) 1,385,256	1,385,256
Management fees	-	380,000	-	380,000
Interest on mortgages payable	-	116,782	-	116,782
Property taxes	-	18,148	-	18,148
Professional fees	114,533	18,032	-	132,565
Depreciation	-	2,026	-	2,026
Bank charges	-	840	-	840
Cleaning	-	762	-	762
Utilities	-	455	-	455
Finance costs	159	-	-	159
General and administrative expenses	3,173	-	-	3,173
Regulatory and filing fees	5,460	-	-	5,460
	<u>123,325</u>	<u>537,045</u>	<u>1,385,256</u>	<u>2,045,626</u>
<b>Income (loss) before fair value adjustments on investment property and income taxes</b>	<b>(123,325)</b>	<b>1,291</b>	<b>(1,385,256)</b>	<b>(1,507,290)</b>
Fair value adjustment on investment property	-	(29,243)	-	(29,243)
<b>Loss before income taxes</b>	<b>(123,325)</b>	<b>(27,952)</b>	<b>(1,385,256)</b>	<b>(1,536,533)</b>
Deferred income tax recovery	-	236,181	-	236,181
<b>Net income (loss) and comprehensive income (loss)</b>	<b>(123,325)</b>	<b>208,229</b>	<b>(1,385,256)</b>	<b>(1,300,352)</b>

# TRUSTED BRAND 2016 INC.

## (Unaudited)

### Notes to the Pro Forma Consolidated Financial Statements

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#### 1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of Trusted Brand 2016 Inc. ("Trusted Brand" or the "Company") have been prepared by management in accordance with International Financial Reporting Standards, derived from the financial statements of Trusted Brand 2016 Inc. and 1421526 Alberta Ltd. ("Yorkton Pacific Mall"), using the same accounting policies as described in their respective annual financial statements together with other information available to Trusted Brand. The unaudited pro forma consolidated financial statements have been prepared for inclusion in a filing statement. The pro forma consolidated financial statements have been prepared to reflect the acquisition of all the outstanding common shares of 1421526 Alberta Ltd. The transaction is subject to acceptance by shareholders and certain securities regulatory approvals. In the opinion of management, the pro forma consolidated financial statements include all adjustments necessary for fair presentation of the transaction as described in Note 2.

The acquisition has been accounted for as a reverse takeover of Trusted Brand by Yorkton Pacific Mall as the transaction will result in the issuance of common shares such that control of the combined companies will pass to the shareholders of Yorkton Pacific Mall. Accordingly, the pro forma consolidated financial statements are presented as a continuation of the financial statements of the legal subsidiary, Yorkton Pacific Mall.

The unaudited pro forma consolidated financial statements of the Company have been compiled from and include:

- a) Trusted Brand 2016 Inc. unaudited interim financial statements as at March 31, 2020 and for the period January 1, 2020 to March 31, 2020.
- b) 1421526 Alberta Ltd. unaudited interim financial statements as at March 31, 2020 and for the period January 1, 2020 to March 31, 2020.
- c) Trusted Brand 2016 Inc. audited financial statements as at December 31, 2019 and for the year ended December 31, 2019.
- d) 1421526 Alberta Ltd. audited financial statements as at December 31, 2019 and for the year ended December 31, 2019.
- e) Additional information set out in Note 2.

The unaudited pro forma consolidated financial statements have been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position and results of operations that would have occurred if the acquisition had been in effect at the date indicated as set out in Note 2.

The unaudited pro forma consolidated balance sheet gives effect to the acquisition as if it had occurred as at March 31, 2020. The unaudited pro forma consolidated statement of operations and comprehensive loss for the period ended March 31, 2020 and the year ended December 31, 2019 give effect to the acquisition as if it occurred on the first day of the period presented.

## TRUSTED BRAND 2016 INC.

(Unaudited)

### Notes to the Pro Forma Consolidated Financial Statements

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#### 2. Pro Forma Transactions

The pro forma consolidated financial statements were prepared based on the following:

- a) Prior to the closing of the transaction, Trusted Brand completed a non-brokered private placement of up to 5,000,000 units ("Units"), at an offering price of \$0.20 per Unit, for gross proceeds of \$1,000,000. Each Unit is comprised of one (1) Company common share and one (1) Company warrant ("Warrant"). Each Warrant entitles the holder to purchase one (1) additional Company common share at a price of \$0.30 per share for a period of three (3) years following the date of closing. The gross proceeds have been allocated to the common shares and warrants using the relative fair value method. The fair value of the Warrant was determined using the black-scholes option pricing model with the following assumptions: risk free rate of 0.70%; expected life of 3 years; expected dividend yield of 0.0%; expected volatility of 100%; and forfeiture rate of 0.0%. An amount of \$598,334 and \$401,666 have been allocated to the common shares and warrants respectively.
- b) The Company's share capital of \$1,156,320, contributed surplus of \$118,557, warrant reserve of \$401,666 (Note 2a), and deficit of \$506,110 is eliminated to reflect the reverse acquisition and the continuation of 1421526 Alberta Ltd.
- c) The issuance of 19,779,208 common shares to settle shareholder loans in the amount of \$3,955,842.
- d) As consideration for all of the outstanding common shares of 1421526 Alberta Ltd., Trusted Brand will issue 36,862,905 common shares. The shareholders of 1421526 Alberta Ltd. will obtain control of Trusted Brand resulting in a reverse acquisition. The cost of the reverse acquisition is based on the fair value of the consideration given. The consideration for the acquisition is \$2,585,160, calculated as 6,462,900 outstanding common shares of Trusted Brand immediately before the transaction at a trading price of \$0.40 per share. The value assigned to the common shares issued in the reverse acquisition was \$2,585,160, determined based on the proportionate number of shares issued. The total purchase price is allocated as follows:

Fair value of consideration	\$ 2,585,160
Less identifiable net assets of Trusted Brand:	
Total assets of Trusted Brand	\$ 1,174,455
Total liabilities of Trusted Brand	<u>(4,022)</u>
Net assets of Trusted Brand	<u>1,170,433</u>
Listing Expense	<u>\$ 1,414,727</u>

# TRUSTED BRAND 2016 INC.

(Unaudited)

## Notes to the Pro Forma Consolidated Financial Statements

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### 3. Pro Forma Share Capital

Pro forma share capital as at March 31, 2020 in the unaudited pro forma consolidated balance sheet is comprised of the following:

Authorized:

Unlimited common shares without nominal or par value

Unlimited preferred shares without nominal or par value

	<u>Common Shares</u>		<u>Warrants</u>		<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	
Trusted Brand	3,962,900	\$ 557,986	---	\$ ---	\$ 557,986
Private placement (Note 2a)	5,000,000	598,334	5,000,000	401,666	1,000,000
Reverse acquisition (Note 2b)	---	(1,156,320)	---	(401,666)	(1,557,986)
1421526 Alberta Ltd. share capital	---	100	---	---	100
Shares issued (Note 2c)	19,779,208	3,955,842	---	---	3,955,842
Shares issued (Note 2d)	<u>36,862,905</u>	<u>2,585,160</u>	<u>---</u>	<u>---</u>	<u>2,585,160</u>
	<b><u>65,605,013</u></b>	<b><u>\$ 6,541,102</u></b>	<b><u>5,000,000</u></b>	<b><u>\$ ---</u></b>	<b><u>\$ 6,541,102</u></b>