

**Red River Capital Corp.**  
**Financial Statements**  
*For the years ended March 31, 2020 and 2019*  
*(Expressed in Canadian Dollars)*

# Independent Auditor's Report

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To the Shareholders of Red River Capital Corp.:

## Opinion

We have audited the financial statements of Red River Capital Corp. (the "Company"), which comprise the statements of financial position as at March 31, 2020 and March 31, 2019, and the statements of loss and comprehensive loss, 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 March 31, 2020 and March 31, 2019, 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 Brad Frampton.

Calgary, Alberta  
July 6, 2020

*MNP LLP*  
Chartered Professional Accountants

**Red River Capital Corp.**  
**Statements of Financial Position**

*As at:*

	Note		March 31, 2020		March 31, 2019
<b>Assets</b>					
<b>Current</b>					
Cash and cash equivalents	5	\$	242,649	\$	277,637
Accrued interest			820		599
<b>Total assets</b>		<b>\$</b>	<b>243,469</b>	<b>\$</b>	<b>278,236</b>
 <b>Liabilities &amp; Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Accounts payable and accruals		\$	15,581	\$	6,856
 <b>Shareholders' Equity</b>					
Share capital	6	\$	314,270	\$	314,270
Contributed Surplus	6		82,200		82,200
Deficit			(168,582)		(125,090)
Total shareholders' equity			227,888		271,380
<b>Total liabilities and shareholders' equity</b>		<b>\$</b>	<b>243,469</b>	<b>\$</b>	<b>278,236</b>

Letter of intent (Note 11)

Approved on behalf of the Board of Directors

"Julian Klymochko"

Director

"David McGoey"

Director

**Red River Capital Corp.**  
**Statements of Loss and Comprehensive Loss**  
*For the years ended March 31,*

	Note	2020	2019
<b>Interest income</b>		<b>\$ 4,051</b>	<b>\$ 616</b>
<b>Expenses</b>			
Stock based compensation	6	\$ -	\$ 69,300
Professional fees		<b>34,422</b>	27,740
General and administrative		<b>13,121</b>	22,602
Total expenses		<b>47,543</b>	119,642
<b>Loss and comprehensive loss</b>		<b>\$ (43,492)</b>	<b>\$ (119,026)</b>
<b>Loss per share (Note 6)</b>			
Basic and Diluted		<b>\$ (0.01)</b>	\$ (0.06)
Weighted average shares outstanding		<b>3,000,000</b>	2,046,575

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

**Red River Capital Corp.**  
**Statement of Changes in Equity**

	Note	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
<b>As at March 31, 2018</b>		125,000		(6,064)	118,936
Share issuance	6	300,000	-	-	300,000
Share issue costs	6	(110,730)	12,900	-	(97,830)
Share based compensation	6	-	69,300	-	69,300
Net loss and comprehensive loss		-	-	(119,026)	(119,026)
<b>As at March 31, 2019</b>		<b>314,270</b>	<b>82,200</b>	<b>(125,090)</b>	<b>271,380</b>
Net loss and comprehensive loss		-	-	(43,492)	(43,492)
<b>As at March 31, 2020</b>		<b>314,270</b>	<b>82,200</b>	<b>(168,582)</b>	<b>227,888</b>

The accompanying notes are an integral part of these financial statements

**Red River Capital Corp.**  
**Statements of Cash Flows**  
*For the years ended March 31,*

	Note	2020	2019
<b>Cash provided by (used for) the following activities:</b>			
<b>Operating activities</b>			
Net loss		\$ (43,492)	\$ (119,026)
Items not affecting cash			
Share based compensation	6	-	69,300
Changes in non-cash working capital			
Accrued interest		(221)	(599)
Accounts payable and accruals		8,725	6,856
<b>Cash used in operating activities</b>		<b>(34,988)</b>	<b>(43,469)</b>
<b>Financing activities</b>			
Issuance of share capital		\$ -	\$ 300,000
Share issuance costs		-	(53,080)
Accounts payable and accruals		-	(31,000)
<b>Cash provided by financing activities</b>		<b>-</b>	<b>215,920</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(34,988)</b>	<b>172,451</b>
<b>Cash and cash equivalent, beginning of year</b>		<b>277,637</b>	<b>105,186</b>
<b>Cash and cash equivalent, end of year</b>		<b>\$ 242,649</b>	<b>\$ 277,637</b>
<b>Cash and cash equivalents is comprised of:</b>			
Cash		4,124	7,637
Guaranteed Investment Certificate		238,525	270,000
		<b>242,649</b>	<b>277,637</b>

The accompanying notes are an integral part of these financial statements

**1. Incorporation and operations**

Red River Capital Corp. (the "Company") was incorporated under the laws of the Province of Alberta on December 20, 2017 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company 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 rules.

The address of the registered office is 1900, 520 3<sup>rd</sup> Avenue SW Calgary, Alberta.

The Company issued 2,500,000 common shares for an amount of \$125,000 and the Company's prospectus for an Initial Public Offering ("IPO") of the Company's common shares was receipted by the regulatory authorities. The IPO closed on July 26, 2018 with 3,000,000 common shares being issued at a price of \$0.10 per common share. The Company's shares commenced trading on July 30, 2018 under the symbol XBT.P.

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

There is no assurance that the Company 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 Company's shares from trading.

**2. Basis of preparation**

***Statement of compliance***

The financial statements for year ended March 31, 2020 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 April 1, 2019.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on July 6, 2020.

***Basis of measurement***

These financial statements are stated in Canadian dollars, which is the Company's functional currency, and were prepared on a going concern basis, under the historical cost convention except for 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 4.

**3. Significant accounting policies**

***Cash and cash equivalents***

Cash and cash equivalents include cash held with financial institutions and highly liquid short-term investments that are readily convertible into cash and have original maturities of 12 months or less.

***Deferred financing costs***

Financing costs related to the Company's proposed financings are recorded as deferred financing costs. These costs will be deferred until the related financing is completed, at which time the costs will be charged against the proceeds received. If the related financing does not close, the costs will be charged to operations.

***Share-based payments***

The Company applies a fair value based method of accounting for all share-based payments. Employee and director stock options are measured at the 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 with a corresponding credit to contributed surplus. 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.

***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.

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

***Financial Instruments***

*Classification and measurement of financial instruments*

The Company 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 Company'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 Company does not employ hedge accounting for its risk management contracts currently in place.

The Company classifies its accrued interest and accounts payable and accruals 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. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income or loss. The Company has classified its cash and cash equivalents at FVTPL.

*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.

***Loss per share***

Basic earnings or loss per share is calculated by dividing 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.

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

**Recent accounting standards adopted**

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 Company has adopted this standard on April 1, 2019 and adoption did not have an impact on the financial statements as the Company has not entered into any lease agreements.

**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.

**Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

**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.

**4. Significant accounting estimates and assumptions** *(continued)*

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 and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

**6. Share capital**

Authorized

Unlimited number of voting Common Shares, without nominal or par value

Unlimited number of non-voting Preferred Shares, without nominal or par value

Issued Common Shares

	<b>Number of Shares</b>	<b>\$</b>
As at March 31, 2018 (i)	<b>2,500,000</b>	<b>125,000</b>
Issued on IPO (ii)	<b>3,000,000</b>	<b>300,000</b>
Share issue costs (ii)	-	<b>(110,730)</b>
As at March 31, 2020 and 2019	<b>5,500,000</b>	<b>314,270</b>

- i) These common shares are issued to directors and officers and are held in escrow until completion of a Qualifying Transaction. 10% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

These common shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation.

- ii) The Company completed its IPO of 3,000,000 shares for gross proceeds of \$300,000 on July 26, 2018. The Agent was granted the option to purchase up to 300,000 common shares at a price of \$0.10 per Common Share. This option expires 24 months from July 26, 2018. The value of the Agent's options, as determined by the Black-Scholes option pricing model, being \$12,900, was recorded to share issue costs. Included in share issue costs is \$44,750 relating to the March 31, 2018 deferred financing costs. 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 Company completing a qualifying transaction.

**6. Share capital (continued)**

*Stock options*

The Company has adopted an incentive stock option plan (the "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 consultants to the Company, 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 Company 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 Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

In conjunction with the closing of the IPO, the Company granted share options to purchase an aggregate of 550,000 common shares at an exercise price of \$0.10 per Common Share to directors and officers of the Company, which expire five years from July 26, 2018. The estimated fair value of director and officer options of \$69,300 was charged to operations during the year ended March 31, 2019.

The assumptions for the Black-Scholes Pricing Model for all the stock options are as follows:

	<b>Directors &amp; Officers</b>	<b>Agent</b>
Stock price	\$0.10	\$0.10
Exercise price	\$0.10	\$0.10
Risk free interest rate	2.19%	2.05%
Expected life (years)	5	2
Expected annual volatility	116%	78%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The following table reflects the continuity of options granted under the Plan as of March 31, 2020:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of period	-	-
Issued to directors & officers	<b>550,000</b>	<b>0.10</b>
Issued to agent	<b>300,000</b>	<b>0.10</b>
Balance, March 31, 2020 and 2019	<b>850,000</b>	<b>0.10</b>

Expiry Date	Exercise Price	Outstanding March 31	Exercisable	Remaining Contractual Years
July 2023	\$0.10	550,000	550,000	3.3
July 2020	\$0.10	300,000	300,000	0.3

## 7. Taxes

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the loss before taxes. The reasons for the difference are as follows:

	2020	2019
Loss before taxes	\$ (43,492)	\$ (119,026)
Statutory tax rate	26.5%	27%
Expected tax recovery	(11,525)	(32,137)
Share-based compensation	-	18,710
Share issue costs	-	(17,815)
Tax asset not recognized	11,525	31,242
Tax recovery	\$ -	\$ -

The Canadian statutory tax rate per the rate reconciliation above represents the average combined federal and provincial corporate tax rate. The federal corporate tax rate is 15.0% and the average provincial tax rate in Alberta was 11.5% during 2020. On June 28, 2019, the Alberta government enacted legislation which reduced the Alberta corporate income tax rate from 12% to: 11% effective July 1, 2019; 10% effective January 1, 2020; 9% effective January 1, 2021; and 8% effective January 1, 2022 and thereafter.

The Company has gross timing differences for tax purposes at its respective year ends of March 31 as follows:

	2020	2019
Share issue costs	\$ 57,500	\$ 79,600
Loss carry-forwards	152,500	86,800
Total timing differences	\$ 210,000	\$ 166,400

The Company's loss carry forward balance is available to reduce future years' income taxes and, if not fully utilized, will expire between the years 2037 and 2039.

## 8. Related party transactions

Key management personnel consist of officers and directors of the Company. Other than stock options granted to directors, no compensation was paid to key management personnel during the current or prior years.

Transactions with related parties are incurred in the normal course of business.

## 9. Capital disclosures

The Company's capital consists of share capital. The Company'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 Company 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 Company'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 Company is not subject to any externally or internally imposed capital requirements at year end.

## 10. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and cash equivalents, accrued interest and accounts payable and accruals. It is management's opinion that the Company 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 Company 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 cash equivalents, accrued interest and accounts payable and accruals 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 Company believes it has no significant credit risk as its cash and cash equivalents are held with major Canadian financial institutions.

### **Liquidity Risk**

The Company'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 Company has a cash and cash equivalents balance of \$242,649 (2019 - \$277,637) to settle obligations of \$15,581 (2019 - \$6,856). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade 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.

i. Interest rate risk

The Company has cash balances and no interest-bearing debt

ii. Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

## 11. Letter of intent

On June 1, 2020, the Company entered into a non-binding letter of intent pursuant to which the Company and 1739001 Alberta Ltd. ("Bitcoin Solutions"), an arms length company incorporated under the laws of Alberta, intend to complete a plan of arrangement, merger, exempt takeover bid or other form of arrangement whereby the shareholders of Bitcoin Solutions will control between 93.5% to 95.5% of the issued and outstanding shares of the Company (the "**Transaction**"). The Transaction is intended to serve as the Company's "qualifying transaction" as that term is defined in the policies of the Exchange. Completion of the Transaction is subject to satisfactory completion of due diligence, the execution of a definitive agreement and regulatory body approvals including approval of the Exchange. Trading in the common shares of the Company has been halted and is not expected to resume trading until the Transaction is completed or until the Exchange receives the requisite documentation to resume trading.

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 Company'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 the Coronavirus (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 Company's ability to close the Transaction.