

**TRANSGLOBE INTERNET AND TELECOM CO., LTD.**

**INTERIM FINANCIAL STATEMENTS**

**For the three months and nine months ended August 31, 2020**

(EXPRESSED IN CANADIAN DOLLARS)

**Notice to Reader**

The accompanying unaudited interim financial statements of TRANSGLOBE INTERNET AND TELECOM CO., LTD. (the "Company") have been prepared by and are the responsibility of management. The unaudited interim financial statements have not been reviewed by the Company's auditors.

**TRANSGLOBE INTERNET AND TELECOM CO., LTD.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
(EXPRESSED IN CANADIAN DOLLARS)  
AS AT

|                                                   | Notes    | Aug. 31, 2020<br>\$ | Nov. 30, 2019<br>\$ |
|---------------------------------------------------|----------|---------------------|---------------------|
| <b>ASSETS</b>                                     |          |                     |                     |
| <b>CURRENT</b>                                    |          |                     |                     |
| Cash                                              |          | 132,410             | -                   |
| HST receivable                                    |          | 289                 | -                   |
| <b>TOTAL ASSETS</b>                               |          | <b>132,699</b>      | <b>-</b>            |
| <b>LIABILITIES</b>                                |          |                     |                     |
| <b>CURRENT LIABILITIES</b>                        |          |                     |                     |
| Accounts payable and accrued liabilities          |          | 170,905             | 141,805             |
| Convertible debentures                            | 7        | 200,000             | 200,000             |
| Shareholders' loans                               | 6        | 270,393             | 255,393             |
|                                                   |          | <b>641,298</b>      | <b>597,198</b>      |
| <b>SHAREHOLDERS' EQUITY</b>                       |          |                     |                     |
| <b>SHARE CAPITAL</b>                              | 8        | 2,417,170           | 2,272,170           |
| <b>RESERVES</b>                                   | 9        | 68,089              | 68,089              |
| <b>DEFICIT</b>                                    |          | (2,993,858)         | (2,937,457)         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |          | <b>(508,599)</b>    | <b>(597,198)</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |          | <b>132,699</b>      | <b>-</b>            |
| <b>NATURE OF OPERATIONS AND GOING CONCERN</b>     | 1        |                     |                     |
| <b>APPROVED ON BEHALF OF THE BOARD</b>            |          |                     |                     |
| <u>"Binyomin Posen"</u>                           | Director |                     |                     |
| <u>"Yazeed Esnan"</u>                             | Director |                     |                     |

See accompanying notes to the interim financial statements

**TRANSGLOBE INTERNET AND TELECOM CO., LTD.**  
**INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE PERIODS ENDED AUGUST 31

| Notes                                                                    | Three months ended     |                        | Nine months ended      |                        |
|--------------------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                                                          | Aug. 31,<br>2020<br>\$ | Aug. 31,<br>2019<br>\$ | Aug. 31,<br>2020<br>\$ | Aug. 31,<br>2019<br>\$ |
| <b>EXPENSES</b>                                                          |                        |                        |                        |                        |
| Regulatory and filing fees                                               | 1,053                  | -                      | 7,583                  | -                      |
| Professional fees                                                        | 29,100                 | -                      | 33,100                 | -                      |
| Bank charges and interest                                                | 5,000                  | 5,000                  | 15,000                 | 15,000                 |
| Office expenses                                                          | 718                    | -                      | 718                    | -                      |
| Loss before other items                                                  | (35,871)               | (5,000)                | (56,401)               | (15,000)               |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>                    | (35,871)               | (5,000)                | (56,401)               | (15,000)               |
| <b>BASIC AND DILUTED NET LOSS PER COMMON SHARE</b>                       | (0.00)                 | (0.00)                 | (0.00)                 | (0.00)                 |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and diluted</b> | 155,287,588            | 10,287,588             | 86,353,162             | 10,287,588             |

See accompanying notes to the interim financial statements

**TRANSGLOBE INTERNET AND TELECOM CO., LTD.**  
**INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE PERIODS ENDED AUGUST 31, 2020 AND AUGUST 31, 2019

|                             | <b>Capital<br/>Stock<br/>#</b> | <b>Capital<br/>Stock<br/>\$</b> | <b>Payment<br/>Reserve<br/>\$</b> | <b>(Deficit)<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------------------------|--------------------------------|---------------------------------|-----------------------------------|-------------------------|---------------------|
| BALANCE, NOVEMBER 30, 2018  | 10,287,588                     | 2,272,170                       | 68,089                            | (2,910,207)             | (569,948)           |
| Loss and comprehensive loss | -                              | -                               | -                                 | (15,000)                | (15,000)            |
| BALANCE, AUGUST 31, 2019    | 10,287,588                     | 2,272,170                       | 68,089                            | (2,925,207)             | (584,948)           |
| Loss and comprehensive loss | -                              | -                               | -                                 | (12,250)                | (12,250)            |
| BALANCE, NOVEMBER 30, 2019  | 10,287,588                     | 2,272,170                       | 68,089                            | (2,937,457)             | (597,198)           |
| Private placement (Note 8)  | 145,000,000                    | 145,000                         | -                                 | -                       | 145,000             |
| Loss and comprehensive loss | -                              | -                               | -                                 | (56,401)                | (56,401)            |
| BALANCE, AUGUST 31, 2020    | 155,287,588                    | 2,417,170                       | 68,089                            | (2,993,858)             | (508,599)           |

See the accompanying notes to the interim financial statements

**TRANSGLOBE INTERNET AND TELECOM CO., LTD.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE PERIODS ENDED AUGUST 31, 2020 AND AUGUST 31, 2019

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|                                                             | <b>Nine months ended</b> |                      |
|-------------------------------------------------------------|--------------------------|----------------------|
|                                                             | <b>Aug. 31, 2020</b>     | <b>Aug. 31, 2019</b> |
|                                                             | <b>\$</b>                | <b>\$</b>            |
| <b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>              |                          |                      |
| Net loss and comprehensive loss for the period              | (56,401)                 | (15,000)             |
| Changes in non-cash working capital                         |                          |                      |
| HST receivable                                              | (289)                    |                      |
| Accounts payable and accrued liabilities                    | 29,100                   | -                    |
| Shareholder loans                                           | 15,000                   | 15,000               |
| <b>Cash flow used in operating activities</b>               | <b>(12,589)</b>          | <b>-</b>             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                          |                      |
| Private placement                                           | 145,000                  | -                    |
|                                                             | 145,000                  | -                    |
| <b>Increase in cash and cash equivalents for the period</b> | <b>132,411</b>           | <b>-</b>             |
| <b>CASH AND CASH EQUIVALENTS, beginning of the year</b>     | <b>-</b>                 | <b>-</b>             |
| <b>CASH AND CASH EQUIVALENTS, end of the period</b>         | <b>132,411</b>           | <b>-</b>             |

See the accompanying notes to the interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

TransGlobe Internet and Telecom Co., Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada on June 24, 1999 and was in the business of providing Voice-Over Internet Protocol ("VOIP") long distance telephone services until November 30, 2012. The Company became inactive on December 1, 2012. The Company's shares were listed at the TSX-Venture Exchange, but trading in the Company's shares was suspended by the Exchange during the year ended November 30, 2013 due to the issuance by a cease trade order by the British Columbia Securities Commission and the Alberta Securities Commission for the Company's failure to meet its filing requirements.

The Company applied for partial revocation of the Cease Trade Order, and on February 7, 2020, the British Columbia Securities Commission and the Alberta Securities Commission granted a partial revocation of the Cease Trade Order, solely to permit the Company to complete a non-brokered private placement for aggregate gross proceeds of up to \$145,000, through the issuance of up to 145,000,000 common shares in the capital of the Company (each, a "Common Share") at a price of \$0.001 per Common Share (the "Offering"). The Company completed the Offering pursuant to the partial revocation on May 27, 2020, raising \$145,000 through the issuance of 145,000,000 Common Shares. The Cease Trade Order was fully revoked by the British Columbia Securities Commission and the Alberta Securities Commission on August 24, 2020.

The address of its head and registered office is 108 West Cordova Street, Vancouver, B.C., V6B 0G6.

These interim financial statements of the Company were approved and authorized for issue by the Board of Directors (the "Board") on September 21, 2020.

The Company has a cumulative deficit of \$2,993,858 (November 30, 2019 - \$2,937,457) and a working capital (deficiency) of \$(508,888) (November 30, 2019 - \$(597,198)). The Company has had losses from operations in the current and previous years and is experiencing significant cash flow problems, all of which casts significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to generate future profitable operations and obtain additional financing to fund working capital requirements. There can be no assurance that the Company will be successful in any of these areas. The interim financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items if the

going concern assumption was in appropriate and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

## 2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

### **Statement of Compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited interim financial statements are based on IFRS issued and outstanding as of September 21, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements as at and for the year ended November 30, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending November 30, 2020 could result in restatement of these interim financial statements.

### **Basis of Measurement**

These interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. The interim financial statements are prepared using the accrual basis of accounting except cash flow information and are presented in Canadian dollars, which is the Company's functional and presentation currencies.

This summary of significant accounting policies of the interim financial statements is a description of the accounting methods and practices that have been used in the preparation of these interim financial statements and is presented to assist the reader in interpreting the statements contained herein. These accounting policies have been applied to all periods presented in these interim financial statements.

### **Principles of Consolidation**

These interim financial statements report the accounts of the Company. All subsidiaries were dissolved during the period 2006 to 2013.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Significant Accounting Judgment and Estimates**

The preparation of interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets

and liabilities at the date of the interim financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and recognition of deferred income tax amounts.

Critical judgments and estimates exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

**Determination of functional currency**

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

**Valuation of share-based payments**

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with maturity at the date of purchase of three months or less. As at August 31, 2020 the Company held cash of \$132,410 (November 30, 2019 - \$Nil).

**Current and Deferred Income Taxes**

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future income tax asset will be recovered, it does not recognize the asset.

### **Share-Based Payments**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### **Earnings or Loss Per Share**

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti dilutive. Basic and diluted loss per share are the same for the periods presented.

### **Financial Instruments**

#### *(i) Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

#### *(ii) Measurement*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and

liabilities held at FVTPL are included in comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income (loss) in the period in which they arise.

*(iii) Impairment of Financial Assets at Amortized Cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the expected credit loss has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*(iv) Derecognition*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss).

***Adoption of New Accounting Standards***

*(i) IFRS 9 – Financial Instruments (“IFRS 9”)*

The Company adopted all of the requirements of IFRS 9 as of December 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking “expected loss” impairment model. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS as at December 1, 2018.

TRANSGLOBE INTERNET AND TELECOM CO., LTD.  
Notes to the Interim Financial Statements  
Nine months ended August 31, 2020  
(Expressed in Canadian Dollars)

|                                          | Original under IAS 39       |                 | New under IFRS |                 |
|------------------------------------------|-----------------------------|-----------------|----------------|-----------------|
|                                          | Classification              | Carrying amount | Classification | Carrying amount |
| Accounts payable and accrued liabilities | Other financial liabilities | 134,555         | Amortized cost | 134,555         |
| Convertible debentures                   | Other financial liabilities | 200,000         | Amortized cost | 200,000         |
| Shareholders' loans                      | Other financial liabilities | 235,393         | Amortized cost | 235,393         |

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on December 1, 2018.

(ii) IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”)

The Company adopted all of the requirements of IFRS 15 as of December 1, 2018. This new accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

There was no impact on the Company’s financial statements upon the adoption of IFRS 15, as the Company does not have any revenue from contracts with customers.

**New standards and interpretations not yet adopted**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after December 1, 2019, or later periods. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- (i) IFRIC 23 – *Uncertainty Over Income Tax Treatments* (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.
- (ii) IFRS 16 – *Leases* (“IFRS 16”). IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize

assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Management has assessed the effect of the new standard on the Company's accounting policies and financial statement presentation, and has found that no changes are required.

#### 4. CAPITAL MANAGEMENT

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the business objectives of the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

#### 5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following three categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVOCI"); and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

| <b>Financial Instrument</b>              | <b>Category</b> | <b>August 31, 2020</b> | <b>November 31, 2019</b> |
|------------------------------------------|-----------------|------------------------|--------------------------|
|                                          |                 | <b>\$</b>              | <b>\$</b>                |
| Accounts payable and accrued liabilities | Amortized cost  | 170,905                | 141,805                  |
| Convertible debentures                   | Amortized cost  | 200,000                | 200,000                  |
| Shareholders' loans                      | Amortized cost  | 270,393                | 255,393                  |

##### Fair value

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted

prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The recorded amount for accounts payable, convertible debenture and shareholders' loans approximate their fair value due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

#### **Currency Risk**

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada only. Cash deposits, expenses and liabilities, if any, are denominated in the Canadian dollars. The Company does not hedge its currency exposure.

#### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's limits its exposure to losses by holding cash, if any, in large Canadian financial institutions. Management believes that the credit risk concentration with respect to financial instruments above is remote.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments. The Company's exposure to interest rate risk will be limited as its cash and cash equivalents and deposits will be highly liquid with short-term maturities.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2020, the Company had a cash and cash equivalents balance of \$132,410 (November 30, 2019 - \$Nil) to settle current liabilities of \$641,298 (November 30, 2019 - \$597,198). The Company's ability to continue operations is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations.

## 6. RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Soon Kim, the previous CEO of the Company, held convertible debt of \$100,000 and interest of \$50,000, and shareholder loans of \$81,166 at August 31, 2020 and at November 30, 2019. Soon Kim, or companies controlled by Soon Kim, held payables and accruals of \$127,304 at August 31, 2020 and at November 30, 2019. Youn Soo Lee, the previous CFO of the Company, held convertible debt of \$100,000 and interest of \$50,000 and shareholder loans of \$74,227 at August 31, 2020 and at November 30, 2019.

The Company did not report any remuneration of directors and key management personnel for the three-month or nine-month periods ended August 31, 2020 or August 31, 2019.

There were no amounts due to related parties at August 31, 2020 or November 30, 2019.

Any amounts due to shareholders are non-interest bearing, unsecured and due on demand, except the convertible debentures.

## 7. CONVERTIBLE DEBENTURES

During the year ended November 30, 2011, the Company, the directors of the Company and a spouse of the a director entered into a convertible debenture agreement whereby the directors and the related individual, may at their sole option, at any time until three years from issuance dates (upon a maturity date of November 14, 2014, debentures became due on demand), convert principal in an amount of \$300,000 into common shares of the Company at a price of \$0.10 per share. The convertible debenture bears interests at 10% per annum.

An amount of \$100,000 was charged to income from discontinued operations on the statement of income upon the completion of the sale of a part of the business during the year ended November 30, 2014.

During the nine-month period ended August 31, 2020, \$15,000 was charged to interest expense (year ended November 30, 2019 - \$20,000).

TRANSGLOBE INTERNET AND TELECOM CO., LTD.  
Notes to the Interim Financial Statements  
Nine months ended August 31, 2020  
(Expressed in Canadian Dollars)

8. SHARE CAPITAL

Authorized  
Unlimited common shares without par value

**Issued**

|                                     | <b>Common Shares</b> | <b>Amount</b> |
|-------------------------------------|----------------------|---------------|
|                                     | <b>#</b>             | <b>\$</b>     |
| Balance, November 30, 2019 and 2018 | 10,287,588           | 2,272,170     |
| Issued for cash                     | 145,000,000          | 145,000       |
| Balance, August 31, 2020            | 155,287,588          | 2,471,170     |

On May 27, 2020, the Company issued 145,000,000 common shares via a private placement for cash proceeds of \$145,000. The cash was held in trust.

**Stock Options**

The Company issues share purchase options to directors, officers and employees of the Company and to persons who provide on-going services to the Company under an incentive share option plan. The exercise price of share purchase options will be no less than the closing price of the shares on the business day immediately preceding the date on which the option is granted less the discount permitted by the TSX Venture Exchange. Options granted by the Company will vest at the rate of 15% every three months from the grant date, except for options granted to investor relations consultants, which will vest at the rate of 25% every three months. Options will expire no later than ten years from the grant date, except that they will expire within thirty days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately). During the years ended November 30, 2019 and 2018, no stock options have been granted.

No stock options were granted or outstanding for the period ended August 31, 2020 and the year ended November 30, 2019.

9. RESERVES

During the period ended August 31, 2020, stock-based compensation has been recorded in the amount of \$ Nil (year ended November 30, 2019 - \$Nil) and included in reserves. The amount is management's estimate of the fair value of the stock options vested in the year and has been expensed in the statement of income (loss) as stock-based compensation. Stock-based compensation value was determined using the Black-Scholes option pricing model. The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value

TRANSGLOBE INTERNET AND TELECOM CO., LTD.

Notes to the Interim Financial Statements

Nine months ended August 31, 2020

(Expressed in Canadian Dollars)

estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

#### 10. INCOME TAXES

This note has not been updated for the period ended August 31, 2020.