

**PROSMART ENTERPRISES INC.**

**As Vendor**

**- and -**

**1255589 B.C. LTD.**

**As Purchaser**

**Regarding:**

**ProSmart Sports Developments Inc.,**

**DL Hockey Consulting Limited,**

**and Rosterbot Inc.**

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**SHARE PURCHASE AGREEMENT**

**September \_\_\_\_\_, 2020**

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**TABLE OF CONTENTS**

ARTICLE 1 INTERPRETATION..... 2

1.1 Definitions. In this Agreement, including the Recitals to this Agreement, unless the context otherwise requires:..... 2

1.2 Construction ..... 9

1.3 Certain Rules of Interpretation..... 9

1.4 Knowledge ..... 10

1.5 Computation of Time ..... 10

1.6 Performance on Business Days ..... 11

1.7 Calculation of Interest ..... 11

1.8 Currency and Payment ..... 11

1.9 Accounting Terms ..... 11

1.10 Schedules..... 11

ARTICLE 2 PURCHASE AND SALE OF PURCHASED SHARES..... 11

2.1 Agreement to Purchase and Sell..... 11

ARTICLE 3 CLOSING ARRANGEMENTS ..... 12

3.1 Closing ..... 12

3.2 Vendor’s Closing Deliveries ..... 12

3.3 Purchaser’s Closing Deliveries ..... 12

ARTICLE 4 CONDITIONS OF CLOSING..... 12

4.1 Conditions for the Benefit of the Purchaser..... 12

4.2 Conditions for the Benefit of the Vendor..... 15

4.3 Termination Events ..... 16

4.4 Effect of Termination..... 17

4.5 Waiver of Conditions of Closing ..... 17

ARTICLE 5 REPRESENTATIONS AND WARRANTIES..... 17

5.1 Representations and Warranties of the Vendor..... 17

5.2 Representations and Warranties of the Vendor Relating to the Subsidiaries..... 20

5.3 Representations and Warranties of the Purchaser ..... 22

5.4 Survival of Representations, Warranties and Covenants of the Vendor ..... 24

5.5 Survival of the Representations, Warranties and Covenants of the Purchaser ..... 24

ARTICLE 6 COVENANTS ..... 25

6.1 Exclusive Dealings..... 25

6.2 Transfer of Documentation. .... 25

6.3 Investigation. .... 26

6.4 Change and Use of Name..... 27

6.5 Vendor Meeting..... 27

6.6 Conduct Prior to Closing..... 28

6.7 Notification of Certain Matters. .... 29

6.8 Regulatory Approvals. .... 31

ARTICLE 7 GENERAL .....	31
7.1 Confidentiality of Information .....	31
7.2 Public Announcements.....	32
7.3 Disclosure and Consultation.....	32
7.4 Expenses.....	33
7.5 Commercially Reasonable Efforts .....	33
7.6 Entire Agreement .....	33
7.7 Non-Merger.....	33
7.8 Time of Essence .....	34
7.9 Amendment .....	34
7.10 Waiver of Rights .....	34
7.11 Arbitration .....	34
7.12 Governing Law.....	34
7.13 Notices.....	34
7.14 Assignment.....	36
7.15 Further Assurances .....	36
7.16 Severability.....	36
7.17 Successors .....	36
7.18 Counterparts .....	36
SCHEDULE “A” FINANCIAL STATEMENTS.....	A-1
SCHEDULE “B” FORM OF RELEASE .....	B-1
SCHEDULE “C” WRITTEN RESIGNATIONS .....	C-1
SCHEDULE “D” CERTIFICATE OF SENIOR OFFICER.....	D-1
SCHEDULE “E” FORM OF VENDOR BRING-DOWN CERTIFICATE.....	E-1
SCHEDULE “F” FORM OF PURCHASER BRING-DOWN CERTIFICATE .....	F-4
SCHEDULE “G” DISCLOSURE LETTER.....	G-1

SHARE PURCHASE AGREEMENT dated \_\_\_\_\_, 2020.

AMONG:

**PROSMART ENTERPRISES INC.**

**As Vendor**

**- and -**

**1255589 B.C. LTD.**

**As Purchaser**

**Regarding:**

**ProSmart Sports Developments Inc.**

**DL Hockey Consulting Limited**

**- and -**

**Rosterbot Inc.**

**RECITALS:**

- A. ProSmart Enterprises Inc. (“**ProSmart**”) is a corporation incorporated under the laws of British Columbia that carries on the business of developing software to assist sports teams and participants in online sport content marketing.
- B. ProSmart Sports Developments Inc. (“**PS Developments**”) is a corporation incorporated under the laws of British Columbia that carries on the business of sports education media.
- C. Rosterbot Inc. (“**Rosterbot**”) is a corporation incorporated under the laws of British Columbia that carries on the business of organizing games for amateur sports teams.
- D. DL Hockey Consulting (Shenzhen) Limited (“**DL Hockey China**”) is a corporation incorporated under the laws of China that carries on the business of operating a minor hockey club and skills camp for kids and adults in Shenzhen, China, and will be, prior to the Closing Date, registered as a wholly-owned subsidiary of DL Hockey HK.
- E. DL Hockey Consulting Limited (“**DL Hockey HK**” and, together with PS Developments and Rosterbot, the “**Subsidiaries**”) is a corporation incorporated under the laws of Hong Kong that carries on the business of consulting for arenas, programs, teams and individual players in Canada, USA, China, Hong Kong and Taiwan.

- F. The Vendor will, prior to the Closing Date, own the legal and beneficial interest of all of the issued and outstanding shares of the Subsidiaries.
- G. The Vendor wishes to sell, and the Purchaser wishes to purchase, all of the shares of the Subsidiaries, which will be owned by the Vendor as of the Closing Date,

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the mutual promises and covenants herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

## **ARTICLE 1 INTERPRETATION**

**1.1 Definitions.** In this Agreement, including the Recitals to this Agreement, unless the context otherwise requires:

- (1) **“Affiliate”** means an affiliated body corporate within the meaning of the following:
  - (a) one body corporate is affiliated with another body corporate if one of them is the subsidiary of the other or both are subsidiaries of the same body corporate or each of them is controlled by the same person; and
  - (b) if two bodies corporate are affiliated with the same body corporate at the same time, they are deemed to be affiliated with each other.

For purposes of this definition, a body corporate is controlled by a person or by two or more bodies corporate if (a) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate, are held, other than by way of security only, by or for the benefit of that person or by or for the benefit of those bodies corporate; and (b) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate. For the purposes of this definition, a body corporate is a subsidiary of another body corporate if (a) it is controlled by (A) that other body corporate, (B) that other body corporate and one or more bodies corporate each of which is controlled by that other body corporate, or (C) two or more bodies corporate each of which is controlled by that other body corporate; or (b) it is a subsidiary of a body corporate that is a subsidiary of that other body corporate.

- (2) **“Agreement”** means this share purchase agreement, including all Schedules to this share purchase agreement, as amended, supplemented, restated and replaced from time to time in accordance with the terms hereof.
- (3) **“Applicable Law”** means:
  - (a) any domestic (federal, provincial or municipal) or foreign statute, law (including common and civil law), code, ordinance, rule, regulation, order-in-council, restriction or by-law (zoning or otherwise);
  - (b) any judgment, order, writ, injunction, directive, decision, ruling, decree or award;

- (c) any regulatory policy, practice, standard or guideline;
  - (d) any published administrative position; or
  - (e) any permit.
- (4) “**Associate**”, in respect of a relation with a Person, means:
- (a) a body corporate of which that Person beneficially owns or controls, directly or indirectly, shares or securities currently convertible into shares carrying more than 10% of the voting rights under all circumstances or by reason of the occurrence of an event that has occurred and is continuing, or a currently exercisable option or right to purchase those shares or those convertible shares;
  - (b) a partner of that Person acting on behalf of the partnership of which they are partners;
  - (c) a trust or estate in which that Person has a substantial beneficial interest or in respect of which that Person serves as a trustee or liquidator of the succession or in a similar capacity;
  - (d) a spouse of that Person or an individual who is cohabiting with that Person in a conjugal relationship, having so cohabited for a period of at least one year;
  - (e) a child of that person or of the spouse or individual referred to in Section 1.1(4)(d); and
  - (f) a relative of that Person or of the spouse or individual referred to in Section 1.1(4)(d), if that relative has the same residence as that Person.
- (5) “**Books and Records**” means all books, records, files and papers of the Subsidiaries including title documentation, computer programs (including source codes and software programs), computer manuals, computer data, financial and Tax working papers, financial and Tax books and records, business reports, business plans and projections, sales and advertising materials, sales and purchases records and correspondence, trade association files, research and development records, lists of present and former customers and suppliers, minute and share certificate books, all other documents and data (technical or otherwise) relating to the Subsidiaries, the Business, and all copies and recordings of the foregoing, to the extent that such exist.
- (6) “**Business**” means the business carried on currently and prior to the date of this Agreement by the Subsidiaries consisting of developing software for online sport content marketing, consulting, and developing sports education media.
- (7) “**Business Day**” means any day, except Saturdays and Sundays, on which banks are generally open for non-automated business:
- (a) for purposes of Section 7.13, in the place specified in that Section; and

- (b) for all other purposes in this Agreement, in Vancouver, British Columbia.
- (8) “**Closing**” means the completion of the Transactions on the Closing Date in accordance with this Agreement.
- (9) “**Closing Certificates**” has the meaning attributed to that term in Section 5.4(1).
- (10) “**Closing Date**” such date as may be agreed to by the Parties in writing.
- (11) “**Constating Documents**” means, with respect to any Person, its articles or certificate of incorporation, amendment, amalgamation or continuance, memorandum and articles of association, letters patent, supplementary letters patent, by-laws, partnership agreement, limited liability company agreement or other similar document, and all unanimous shareholder agreements, other shareholder agreements, voting trusts, pooling agreements and similar Contracts, arrangements and understandings applicable to the Person’s Equity Interests, all as amended, supplemented, restated and replaced from time to time.
- (12) “**Contract**” means any agreement, contract, indenture, occupancy agreement, deed of trust, licence, option, undertaking, promise or any other commitment or obligation, whether oral or written, express or implied, other than a permit.
- (13) “**Disclosure Letter**” means a letter of even date with this Agreement from the Vendor to the Purchaser containing the information further described in Section 5.2(6).
- (14) “**Dissent Rights**” means the rights of dissent granted in favour of Vendor Shareholders in respect of the Vendor Resolution, as required by the *Business Corporations Act* (British Columbia).
- (15) “**Effective Time**” means the effective time of the Closing on the Closing Date, to be mutually agreed upon by the Parties.
- (16) “**Encumbrance**” means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, prior claim, adverse claim, exception, reservation, restrictive covenant, agreement, easement, licence, right of occupation, option, right of use, right of first refusal, right of pre-emption, privilege or any matter capable of registration against title or any Contract to create any of the foregoing.
- (17) “**Equity Interests**” means, with respect to any Person, any and all present and future shares, units, trust units, partnership or other interests, participations or other equivalent rights in that Person’s equity or capital, however designated and whether voting or non-voting.
- (18) “**Financial Statements**” means the audited financial statements of the Vendor as at and for the financial years ended September 30, 2018 and September 30, 2019 consisting of the balance sheet, income statement, cash flow statement and statement of retained earnings and all notes, schedules and exhibits thereto and the report thereon of the Vendor’s Auditors, copies of which financial statements are attached as Schedule “A”.

- (19) **“GAAP”**, when used in respect of accounting terms or accounting determinations relating to a Person, means the Accounting Standards for Private Enterprises which are in effect from time to time in Canada, as published in Part II of the Handbook of the Canadian Institute of Chartered Accountants or any successor thereof (the **“Handbook”**), provided that if such Person has adopted, or if and when such Person is required, or decides, to adopt, the International Financial Reporting Standards, GAAP means those standards as in effect from time to time in Canada, as published in Part I of the Handbook.
- (20) **“Governmental Authority”** means any (a) domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, body, organization or agency, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government, or (b) regulatory authority, including any securities commission, or stock exchange, including the TSXV.
- (21) **“Information Technologies”** means:
- (a) all computer equipment, including desktop and laptop computers, servers, peripheral devices, storage media and other hardware; and
  - (b) all computer software, including operating systems, application systems, and other software;
  - (c) that is owned, or licensed by the Subsidiaries in connection with the Business.
- (22) **“Intellectual Property”** means, individually and collectively, howsoever created and wherever located:
- (a) all domestic and foreign patents and applications thereof and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;
  - (b) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know-how, technology, technical data, schematics and customer lists, and all documentation relating to any of the foregoing;
  - (c) all copyrights, copyright registrations and applications thereof, and all other rights corresponding thereto throughout the world;
  - (d) all trade names, domain names, corporate names, trade dress, distinguishing guises, logos, slogans, brand names, trade-marks (whether registered or common law and whether used with wares or services and including the goodwill attaching to such trade-marks) and registrations and applications for registration thereof;
  - (e) all computer programs, applications, databases and software (both in source code and object code form) and any proprietary rights in those computer programs,

applications, databases and software, including documentation and other materials related thereto;

- (f) all integrated circuit design, mask work, or topography registrations or applications thereof;
- (g) all industrial designs and applications for and registration of industrial designs, design patents and industrial design registrations;
- (h) other intellectual or industrial property whatsoever, including the intellectual property described in the Disclosure Letter;
- (i) all income, royalties, damages and payments now and hereafter due and/or payable with respect to any of the foregoing, including without limitation, damages and payments for past or future infringements or misappropriations thereof;
- (j) all algorithms and other technologies (encryption, hashing, encoding, etc.) utilized by the Subsidiaries; and
- (k) all rights to sue for past, present and future infringements or misappropriations of any of the foregoing;

that are owned or used by the Subsidiaries in connection with the Business.

- (23) “**Interim Period**” means the period from the date of this Agreement to the Closing Date.
- (24) “**Material Adverse Effect**” means, with respect to any event, matter or circumstance, any change or effect that:
  - (a) in respect of the Subsidiaries or the Business:
    - (i) individually or when taken together with all other changes or effects that have occurred during any relevant period of time before the determination of the occurrence of that change or effect, is or is reasonably likely to be materially adverse to the Business, the business currently contemplated to be conducted by the Subsidiaries, and the operations, liabilities, capital, prospects, condition (financial or otherwise) or results of operation, of the Subsidiaries; or
    - (ii) materially adversely affects the ability of the Subsidiaries to conduct the Business after the Effective Time substantially as the Business has been conducted to the date of this Agreement; and
  - (b) in respect of the Purchaser:
    - (i) individually or when taken together with all other changes or effects that have occurred during any relevant period of time before the determination of the occurrence of that change or effect, is or is reasonably likely to be

materially adverse to the Purchaser, the business currently contemplated to be conducted by the Purchaser, and the operations, liabilities, capital, prospects, condition (financial or otherwise) or results of operation, of the Purchaser; or

- (c) materially adversely affects the ability of the Purchaser to conduct the business of the Purchaser after the Effective Time substantially as the business of the Purchaser has been conducted to the date of this Agreement.
- (25) “**Ordinary Course**” means, with respect to an action taken by a Person, that the action is consistent with the past practices of the Person and is taken in the normal day-to-day operations of the Person.
  - (26) “**Other Agreements**” has the meaning attributed to that term in Section 7.6.
  - (27) “**Parties**” means collectively, the Vendor and the Purchaser, and “**Party**” means any of them.
  - (28) “**Person**” is to be broadly interpreted and includes an individual, a corporation, a partnership, a joint venture, a trust, an association, a syndicate, an unincorporated organization, a Governmental Authority, an executor or administrator or other legal or personal representative, or any other juridical entity.
  - (29) “**Personal Information**” means (a) any information about an identifiable natural person that was collected, used or disclosed and is being stored by or is otherwise under the control of the Subsidiaries in connection with the Business; or (b) any information about an identifiable natural person that was collected, used or disclosed and is being stored by or is otherwise under the control of the Purchaser in connection with its business.
  - (30) “**PPR**” means Personal Property Registry.
  - (31) “**PPR Release**” means a PPR release as further detailed in Section 4.2(1)(e).
  - (32) “**Privacy Law**” means any and all Applicable Law that regulates the collection, use, disclosure and/or storage of Personal Information, including the *Personal Information Protection and Electronic Documents Act* (Canada) and the *Personal Information Protection Act* (British Columbia).
  - (33) “**Privacy Requirements**” means all of the obligations, restrictions and prohibitions of or applicable to the Subsidiaries in connection with the Personal Information regardless of the authority under which they are imposed, including resolutions of the board of directors of the Subsidiaries, policies, agreements and any and all Privacy Law to which the Subsidiaries are subject.
  - (34) “**Proceeding**” means:
    - (a) any suit, action, dispute, investigation, claim, arbitration, order, summons, citation, directive, charge, demand or prosecution, whether legal or administrative;

- (b) any other proceeding; or
  - (c) any appeal or application for review;
  - (d) at law or in equity or before or by any Governmental Authority.
- (35) “**ProSmart Shares**” means Vendor Common Shares in an amount equal to 10% of the common shares of the Vendor issued and outstanding as at the Closing Date to be issued to the Purchaser pursuant to Section 2.1.
- (36) “**Purchase Price**” means the assumption of the Secured Debt by the Purchaser pursuant to Section 2.1.
- (37) “**Purchased Shares**” means all the issued and outstanding shares in the capital of the Subsidiaries, consisting of: (a) 17,951,015 issued and outstanding common shares in the capital of PS Developments; (b) 25,801,670 issued and outstanding common shares in the capital of Rosterbot; and (c) 10,000 issued and outstanding shares in the capital of DL Hockey HK.
- (38) “**Purchaser**” means 1255589 B.C. Ltd., a corporation incorporated under the laws of British Columbia.
- (39) “**Purchaser’s Counsel**” means MLT Aikins LLP.
- (40) “**Representatives**” means, with respect to any Party, its Affiliates and, if applicable, its and their respective directors, officers, agents and other representatives and advisors.
- (41) “**Secured Debt**” means the \$640,000 secured debt liability of the Vendor assumed by the Purchaser as the Purchase Price pursuant to the terms of this Agreement.
- (42) “**Securities Laws**” means the securities legislation having application, the regulations and rules thereunder and all administrative policy statements, instruments, blanket orders, notices, directions and rulings issued or adopted by the applicable securities regulatory authority, all as amended.
- (43) “**Subsidiaries**” has the meaning attributed to that term in the Recitals.
- (44) “**Tax Act**” or any reference to a specific provision thereof means the *Income Tax Act* (Canada) and, except as the context requires otherwise, legislation of any legislature of any province or territory of Canada (including the *Taxation Act* (Québec)) and any regulations thereunder in force of like or similar effect.
- (45) “**Taxes**” means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof (including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, gains, capital stock, production, gift, wealth, environment, net worth, utility, sales, goods and services, harmonized sales, use,

consumption, valued-added, excise, stamp, withholding, premium, business, franchising, property, employer health, payroll, employment, health, social services, education and social security taxes, surtaxes, customs duties and import and export taxes, development, occupancy, social services, licence, franchise and registration fees, and health insurance and Canada, Québec and other government pension plan premiums or contributions), and “**Tax**” has a corresponding meaning.

- (46) “**Transactions**” means the purchase and sale of the Purchased Shares and all other transactions contemplated by this Agreement.
- (47) “**Transmission**” has the meaning attributed to that term in Section 7.13(1).
- (48) “**TSXV**” means the TSX Venture Exchange.
- (49) “**Vendor**” means ProSmart Enterprises Inc. a corporation incorporated under the laws of British Columbia.
- (50) “**Vendor’s Auditors**” means Davidson & Company LLP, Chartered Accountants.
- (51) “**Vendor Circular**” means the notice of the Vendor Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Vendor Shareholders in connection with the Vendor Meeting, if necessary, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.
- (52) “**Vendor Common Shares**” means common shares in the capital of the Vendor.
- (53) “**Vendor’s Counsel**” means McMillan LLP.
- (54) “**Vendor Meeting**” means the special meeting of Vendor Shareholders held to consider and approve, among other things, the Vendor Resolution.
- (55) “**Vendor Resolution**” means the special resolution approving the Transactions to be considered at the Vendor Meeting.
- (56) “**Vendor Shareholder Approval**” the approval by the Vendor Shareholders of the Vendor Resolution at the Vendor Meeting.
- (57) “**Vendor Shareholders**” means, at any time, the registered holders of Vendor Common Shares.

**1.2 Construction.** This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

**1.3 Certain Rules of Interpretation.** In this Agreement:

- (1) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (2) the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (3) unless specified otherwise or the context otherwise requires:
- (4) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
- (5) “including” or “includes” means “including (or includes) but is not limited to” and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
- (6) “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”;
- (7) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts;
- (8) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory instrument, regulation or section as amended, re-enacted, consolidated or replaced from time to time; and
- (9) words in the singular include the plural and vice-versa and words in one gender include all genders.

**1.4 Knowledge.** In this Agreement, any reference to the knowledge of the Vendor means to the best of the knowledge, information and belief of Zelong He (Chief Executive Officer) and Kevin Ma (Chief Financial Officer) after reviewing all relevant records and making due inquiries regarding the relevant matter of all relevant Representatives of the Vendor.

**1.5 Computation of Time.** In this Agreement, unless specified otherwise or the context otherwise requires:

- (1) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;
- (2) all references to specific dates mean 11:59 p.m. on the dates;
- (3) all references to specific times are references to Vancouver time; and

(4) with respect to the calculation of any period of time, references to “from” mean “from and excluding” and references to “to” or “until” mean “to and including”.

**1.6 Performance on Business Days.** If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

**1.7 Calculation of Interest.** In calculating interest payable under this Agreement for any period of time, the first day of the period is included and the last day is excluded.

**1.8 Currency and Payment.** In this Agreement, unless specified otherwise:

(1) references to dollar amounts or “\$” are to Canadian dollars;

(2) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or any other method (other than cash payment) agreed by the Purchaser and the Vendor reach acting reasonably, that provides immediately available funds; and

(3) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received and available by 2:00 p.m. on the due date and any payment received and available after that time is deemed to have been made and received on the next succeeding Business Day.

**1.9 Accounting Terms.** In this Agreement, unless specified otherwise, each accounting term has the meaning assigned to it under GAAP.

**1.10 Schedules.** The following Schedules are attached to and form part of this Agreement:

Schedule “A” Financial Statements

Schedule “B” Form of Release

Schedule “C” Written Resignations

Schedule “D” Certificate of Senior Officer

Schedule “E” Form of Vendor Bring-Down Certificate

Schedule “F” Form of Purchaser Bring-Down Certificate

Schedule “G” Disclosure Letter

## **ARTICLE 2 PURCHASE AND SALE OF PURCHASED SHARES**

**2.1 Agreement to Purchase and Sell.**

(1) Subject to the terms and conditions of this Agreement, and in consideration for the Purchase Price, on the Closing Date the Vendor shall:

(a) transfer the Purchased Shares to the Purchaser; and

(b) issue the Purchaser the ProSmart Shares.

- (2) The Vendor acknowledges that the Purchase Price reflects the Purchaser's assumption of the Secured Debt owing by the Vendor.

### **ARTICLE 3 CLOSING ARRANGEMENTS**

- 3.1 Closing.** Subject to the satisfaction or waiver by the applicable Party of the conditions set out in Article 4, the Parties shall hold the Closing on the Closing Date, at such time as agreed to by the Vendor and the Purchaser and at the offices of the Purchaser's Counsel in Vancouver, British Columbia or at such other place as agreed to by the Vendor and the Purchaser.
- 3.2 Vendor's Closing Deliveries.** At Closing, the Vendor shall deliver or cause to be delivered to the Purchaser all certificates, agreements, documents and instruments as required under Section 4.1(1)(k).
- 3.3 Purchaser's Closing Deliveries.** At Closing, the Purchaser shall deliver or cause to be delivered to the Vendor all payments, certificates, agreements, documents and instruments as required under Section 4.2(1)(h).

### **ARTICLE 4 CONDITIONS OF CLOSING**

#### **4.1 Conditions for the Benefit of the Purchaser.**

- (1) The Purchaser shall be obliged to complete the Transactions only if each of the following conditions precedent has been satisfied in full at or before the time of Closing on the Closing Date:
- (a) all of the representations and warranties of the Vendor made in this Agreement shall have been true and correct in all material respects (except for those representations and warranties that are qualified by materiality, in which case such representations and warranties shall have been true and correct) as of the date hereof and shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality, in which case such representations and warranties shall be true and correct) as at the Closing Date with the same effect as if made on and as of the Closing Date (except as contemplated or permitted by this Agreement and except as those representations and warranties may be affected by events or transactions: (i) resulting from the entering of this Agreement; (ii) that would not have a Material Adverse Effect and arise in the Ordinary Course of the Business; or (iii) approved in writing by the Purchaser);
  - (b) the Vendor has complied with or performed in all material respects (except for those obligations, covenants and agreements that are qualified by materiality in which case such terms, covenants and conditions shall have been complied with or performed) all of the obligations, covenants and agreements under this Agreement to be complied with or performed by the Vendor on or before the Closing Date;

- (c) all corporate proceedings required to be taken by the Vendor in connection with the Transactions are satisfactory in form and substance to the Purchaser, and the Purchaser has received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation of the Transactions and the taking of all necessary corporate proceedings in connection therewith;
- (d) there is no injunction or restraining order issued preventing, and no pending or threatened Proceeding, against any Party, for the purpose of enjoining or preventing, the completion of the Transactions or otherwise claiming that this Agreement or the completion of the Transactions is improper or would give rise to a Proceeding, under any Applicable Law or under any Contract;
- (e) in the opinion of the Purchaser, since the date of this Agreement there has not occurred any event which may have a Material Adverse Effect in respect of the Subsidiaries or of the Business;
- (f) in the opinion of the Purchaser, no Applicable Law has been enacted, introduced or announced which may have a Material Adverse Effect in respect of the Subsidiaries or of the Business;
- (g) the Purchaser shall be satisfied with the results of its due diligence investigations relating to Subsidiaries, acting reasonably;
- (h) all consents, waivers, orders and approvals of all Governmental Authorities (including the TSXV), any landlord of the Subsidiaries, or other persons necessary to permit the completion of the Transactions shall have been obtained;
- (i) the corporate records and registration of DL Hockey HK shall have been updated to correctly reflect that the Vendor is the registered and beneficial owner of all of the issued and outstanding shares of DL Hockey HK;
- (j) the corporate records and registration of DL Hockey China shall have been updated to correctly reflect that DL Hockey HK is the registered and beneficial owner of all of the issued and outstanding shares of DL Hockey China;
- (k) the Vendor has caused to be delivered to the Purchaser, or the Purchaser's designate, the following:
  - (i) certificates representing the Purchased Shares, accompanied by stock transfer powers duly executed in blank or duly executed instruments of transfer, and all such other assurances, consents and other documents as the Purchaser reasonably requests to effectively transfer to the Purchaser title to the Purchased Shares free and clear of all Encumbrances;
  - (ii) original share registers, share transfer ledgers, minute books and corporate seals (if any) of the Subsidiaries;
  - (iii) all other Books and Records;

- (iv) a certified copy of a resolution of the boards of directors of the Subsidiaries consenting to the transfer of the Purchased Shares from the Vendor to the Purchaser as contemplated by this Agreement and authorizing the execution, delivery and performance of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Subsidiaries;
  - (v) Form of Release by the Vendor as the sole shareholder of the Subsidiaries substantially in the form attached as Schedule "B";
  - (vi) written resignations of those directors and officers of the Subsidiaries specified by the Purchaser, in each case with effect from the Effective Time, together with releases in favor of the Subsidiaries, the Purchaser by those Persons, substantially in the form attached as Schedule "C";
  - (vii) in respect of the Vendor:
    - (1) a certificate of good standing; and
    - (2) a certificate of a senior officer, substantially in the form attached as Schedule "D", certifying:
      - (a) the Constatting Documents of the Vendor;
      - (b) the resolutions of the board of directors and shareholders of the Vendor authorizing the execution, delivery and performance of this Agreement, the issuance of the ProSmart Shares, and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Vendor; and
      - (c) the incumbency and signatures of the officers of the Vendor executing this Agreement and any other document relating to the Transactions;
    - (3) a certificate of the Vendor, substantially in the form attached as Schedule "E" in respect of its representations and warranties set out in Section 5.1, in respect of the representations and warranties set out in Section 5.2 and in respect of its covenants and other obligations set out in this Agreement; and
  - (viii) such other documentation as the Purchaser reasonably requests on a timely basis in order to establish the completion of the Transactions and the taking of all corporate proceedings in connection with the Transactions (as to certification and otherwise), in each case in form and substance satisfactory to the Purchaser, as applicable, acting reasonably.
- (2) Each of the conditions set out in Section 4.1(1) is for the exclusive benefit of the Purchaser and the Purchaser may waive compliance with any such condition in whole or in part by

notice in writing to the Vendor, except that no such waiver operates as a waiver of any other condition.

#### **4.2 Conditions for the Benefit of the Vendor**

- (1) The Vendor shall be obliged to complete the Transactions only if each of the following conditions precedent has been satisfied in full at or before the time of Closing on the Closing Date:
  - (a) all of the representations and warranties of the Purchaser made in or pursuant to this Agreement shall have been true and correct as of the date hereof and shall be true and correct as of the Closing Date with the same effect as if made on and as of the Closing Date (except as those representations and warranties may be affected by events or transactions expressly permitted by or resulting from the entering of this Agreement);
  - (b) the corporate records and registration of DL Hockey HK shall have been updated to correctly reflect that the Vendor is the registered and beneficial owner of all of the issued and outstanding shares of DL Hockey HK;
  - (c) the corporate records and registration of DL Hockey China shall have been updated to correctly reflect that DL Hockey HK is the registered and beneficial owner of all of the issued and outstanding shares of DL Hockey China;
  - (d) the Purchaser shall have complied with or performed all of the obligations, covenants and agreements under this Agreement to be complied with or performed by the Purchaser on or before the Closing Date to the satisfaction of the Vendor, acting reasonably;
  - (e) the Purchaser shall have provided the Vendor with a PPR Release documenting release of the Secured Debt owing by the Vendor;
  - (f) there is no injunction or restraining order issued preventing, and no pending or threatened Proceeding, against any Party, for the purpose of enjoining or preventing, the completion of the Transactions or otherwise claiming that this Agreement or the completion of the Transactions is improper or would give rise to a Proceeding, under any Applicable Law;
  - (g) the Vendor shall be satisfied with the results of its due diligence investigations relating to the Purchaser, acting reasonably;
  - (h) the Purchaser has caused to be delivered to the Vendor the following:
    - (i) a certificate of good standing of the Purchaser;
    - (ii) a certificate of a senior officer of each of the Purchaser certifying the Constatng Documents of the Purchaser, certifying the resolutions of the board of directors and/or (if required by Applicable Law) shareholders of

the Purchaser and authorizing the execution, delivery and performance of this Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Purchaser, and certifying the incumbency and signatures of the officers of the Purchaser executing this Agreement and any other document relating to the Transactions;

- (iii) a certificate of the Purchaser in respect of its representations and warranties set out in Section 5.3 and in respect of its covenants and other obligations set out in this Agreement, substantially in the form of Schedule “F”; and
  - (iv) such other documentation as the Vendor reasonably requests on a timely basis in order to establish the completion of the Transactions and the taking of all corporate proceedings in connection with the Transactions (as to certification and otherwise), in each case in form and substance satisfactory to the Vendor, acting reasonably.
- (i) the Vendor shall have received Vendor Shareholder Approval and all other approvals required under Applicable Law or the TSXV;
  - (j) all corporate proceedings required to be taken by the Purchaser in connection with the Transactions are satisfactory in form and substance to the Vendor, and the Vendor has received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation of the Transactions and the taking of all necessary corporate proceedings in connection therewith;
  - (k) in the opinion of the Vendor, since the date of this Agreement there has not occurred any event which may have a Material Adverse Effect in respect of the Purchaser; and
  - (l) in the reasonable opinion of the Vendor, no Applicable Law has been enacted, introduced or announced which may have a Material Adverse Effect in respect of the Purchaser.
- (2) Each of the conditions set out in Section 4.2(1) is for the exclusive benefit of the Vendor and the Vendor may waive compliance with any such condition in whole or in part by notice in writing to the Purchaser, except that no such waiver operates as a waiver of any other condition.

**4.3 Termination Events.** By notice given prior to or at Closing, subject to Section 4.1, this Agreement may be terminated as follows:

- (a) by the Purchaser if any condition in Section 4.1 has not been satisfied as of the Closing Date or if the satisfaction of any condition by the Closing Date is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement), and the Purchaser has not waived that condition on or before Closing Date;

- (b) by the Vendor if any condition in Section 4.2 has not been satisfied as of the Closing Date or if the satisfaction of any condition by the Closing Date is or becomes impossible (other than through the failure of the Vendor to comply with their obligations under this Agreement), and the Vendor has not waived that condition on or before the Closing Date;
- (c) by mutual consent of the Parties; or
- (d) by the Purchaser unless it is in material breach of this Agreement or by the Vendor unless the Vendor is in material breach of this Agreement, if the Closing has not occurred on or before December 31, 2020.

**4.4 Effect of Termination.** Each Party's right of termination under Section 4.3 is in addition to any other rights it may have under this Agreement or otherwise, whether at law, in equity or otherwise, and the exercise of that right of termination is not an election of remedies. If this Agreement is terminated pursuant to Section 4.3, all obligations of the Parties under this Agreement will terminate except that the obligations contained in this Section 4.4 and in Article 7 (except for Section 7.4) will survive, provided that if this Agreement is terminated pursuant to Section 4.3(a) or 4.3(b), the terminating Party's right to pursue all legal remedies will survive that termination unimpaired.

**4.5 Waiver of Conditions of Closing.** If any of the conditions set forth in Section 4.1 has not been satisfied, the Purchaser may elect in writing to waive the condition and proceed with the completion of the Transactions and, if any of the conditions in Section 4.2 has not been satisfied, the Vendor may elect in writing to waive the condition and proceed with the completion of the Transactions. Any such waiver and election by the Purchaser or the Vendor, as the case may be, will only serve as a waiver of the specific closing condition and the other Party or Parties, as the case may be, will have no liability with respect to the specific waived condition.

## ARTICLE 5 REPRESENTATIONS AND WARRANTIES

**5.1 Representations and Warranties of the Vendor.** The Vendor represents and warrants to the Purchaser as to itself as follows and acknowledges that the Purchaser is relying on these representations and warranties in connection with the Purchaser's purchase of the Purchased Shares and that the Purchaser would not purchase the Purchased Shares without these representations and warranties:

- (1) Organization and Status. It is a corporation duly incorporated and organized under the laws of British Columbia, and on the Closing Date, it will be validly subsisting, under the laws of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction.
- (2) Corporate Power. It has all necessary corporate power and authority to own or lease or dispose of its undertakings (including the Purchased Shares), to enter into this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.

- (3) Authorization. All necessary corporate action has been taken by it or on its part to authorize its execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (4) Enforceability. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under Section 7.11. Each of the contracts, agreements and instruments required by this Agreement to be delivered by it will at the Closing have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will at Closing be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under Section 7.11.
- (5) Ownership of Purchased Shares. Once the corporate records and registration of DL Hockey HK have been updated to correctly reflect that the Vendor is the registered and beneficial owner of all the issued and outstanding shares of DL Hockey HK, prior to Closing, the Vendor will be the registered and beneficial owner of the Purchased Shares, with good and marketable title thereto, free and clear of all Encumbrances, with the exclusive right to dispose of the Purchased Shares as provided in this Agreement. On completion of the Transactions, the Vendor will have no ownership interest in the Subsidiaries, whether direct or indirect, actual or contingent, and the Purchaser shall have good title to the Purchased Shares, free and clear of all Encumbrances other than Encumbrances granted by the Purchaser.
- (6) No Other Agreements to Purchase. No Person other than the Purchaser has any Contract or any right or privilege capable of becoming a Contract for the purchase or acquisition from the Vendor of any of the Purchased Shares.
- (7) Bankruptcy. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings (including any of the Purchased Shares) and no execution or distress has been levied on any of its undertakings (including any of the Purchased Shares), nor have any proceedings been commenced in connection with any of the foregoing.
- (8) Listing. The common shares in the capital of the Vendor are listed for trading on the TSXV and the Vendor is not in material default of any of the listing requirements of the TSXV. All of the securities referenced in this Section 5.1(8) have been validly issued and are outstanding as fully paid and non-assessable shares, and were not issued in violation of the

pre-emptive rights of any Person or any Contract or Applicable Law by which the Vendor was bound as the time of issuance. There are no shareholders agreements, voting trusts, pooling agreements or other Contracts, arrangements or understandings in respect of the voting of any of the shares of the Vendor.

- (9) Absence of Conflict. The execution, delivery and performance by it of this Agreement and the completion of the Transactions will not (whether after the passage of time or notice or both) result in:
- (a) the breach or violation of any of the provisions of, or constitute a default under, or give any Person the right to seek or cause a termination, cancellation, amendment or renegotiation of any Contract to which it is a party;
  - (b) the breach or violation of any of the provisions of, or constitute a default under, or conflict with any of its obligations under:
    - (i) any provision of its Constatting Documents or resolutions of its board of directors (or any committee thereof) or shareholders;
    - (ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over it;
    - (iii) any approval issued to it or held by it or held for the benefit of or necessary to the ownership of any of the Purchased Shares;
    - (iv) any Applicable Law; or
    - (v) any Securities Laws;
  - (c) the creation or imposition of any Encumbrance over any of the Purchased Shares; or
  - (d) the requirement of any approval from any of its creditors.
- (10) Litigation. There are no Proceedings (whether or not purportedly on its behalf) pending or outstanding or, to its knowledge, threatened against it which could affect the Purchased Shares or its ability to perform its obligations under this Agreement. To its knowledge there is not any factual or legal basis on which any such Proceeding might be commenced with any reasonable likelihood of success.
- (11) Business. The business of the Vendor is solely comprised of the Business.
- (12) Residence. It is not a non-resident of Canada for the purposes of the Tax Act.
- (13) Capital. As of the Closing Date there are 32,108,092 common shares issued and outstanding in the capital of the Vendor.

**5.2 Representations and Warranties of the Vendor Relating to the Subsidiaries.** The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on these representations and warranties in connection with the Purchaser's purchase of the Purchased Shares and that the Purchaser would not purchase the Purchased Shares without these representations and warranties:

- (1) Organization and Status. PS Developments is duly incorporated and organized under the laws of British Columbia, and is validly subsisting, under the laws of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction. Rosterbot is duly incorporated and organized under the laws of British Columbia, and is validly subsisting, under the laws of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction. DL Hockey HK is duly incorporated and organized under the laws of Hong Kong, and is validly subsisting, under the laws of Hong Kong. DL Hockey China is duly incorporated and organized under the laws of China, and is validly subsisting, under the laws of China.
- (2) Corporate Power. The Subsidiaries have all necessary corporate power and authority to carry on the Business as now being conducted by each of the Subsidiaries and as previously having been conducted by each of the Subsidiaries.
- (3) Options. ProSmart is not aware of any Person that has any Contract or any right or privilege capable of becoming a Contract, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any issued or un-issued shares or other securities of the Subsidiaries.
- (4) Conduct of Business. The Subsidiaries have complied with, and have conducted the Business in compliance with, all Applicable Laws.
- (5) Bankruptcy. The Subsidiaries are not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and have not made an assignment in favour of any of their creditors or a proposal in bankruptcy to any of their creditors or any class thereof, and no petition for a receiving order has been presented in respect of any of the Subsidiaries. The Subsidiaries have not initiated proceedings with respect to a compromise or arrangement with their creditors or for any of their winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of any of the Subsidiaries and no execution or distress has been levied, nor have proceedings been commenced in connection with any of the foregoing.
- (6) Intellectual Property.
  - (a) The Disclosure Letter is a true, accurate and complete list of all applicable standards/specifications or other sources of the technology, licences, registrations or applications for registration of the Intellectual Property pertaining to any Intellectual Property that is not owned by the Subsidiaries but used in the conduct of the Business.
  - (b) The Intellectual Property comprises all trade marks, trade names, business names, patents, inventions, know-how, copyrights, service marks, brand names, goodwill,

industrial designs and all other industrial or intellectual property necessary to conduct the Business. The Subsidiaries have the right and authority to use, and will be entitled to continue to use after the Closing Date, the Intellectual Property in connection with the conduct of the Business in the manner presently conducted by the Subsidiaries. The Intellectual Property is sufficient to conduct the Business as presently conducted.

- (c) The Subsidiaries have maintained or caused to be maintained the rights to any of the registered Intellectual Property in full force and effect and, without limiting the generality of the foregoing, have renewed or have made application for renewal of any registered Intellectual Property owned by the Subsidiaries and subject to expiration on or prior to the Closing Date.
  - (d) The Subsidiaries have used their commercially reasonable efforts to protect and safeguard the secrecy and confidentiality of the Intellectual Property.
  - (e) No royalty or other fee is required to be paid by the Subsidiaries to any other Person in respect of the use of any of the Intellectual Property and there are no restrictions on the ability of the Subsidiaries or any successor to, or assignee from, the Subsidiaries to use and exploit all rights in the Intellectual Property.
- (7) Information Technologies.
- (a) The Information Technologies adequately meet the data processing needs of the Business and the Subsidiaries' operations and affairs, in each case as presently conducted and as currently contemplated to be conducted. The Subsidiaries have taken appropriate action by instruction, Contract or otherwise with the Persons permitted access to system application programs and data files used in the Information Technologies to protect against unauthorized access, use, copying, modification, theft and destruction of those programs and files. The data processing and data storage facilities of the Subsidiaries are adequate and properly protected. The Subsidiaries have arranged for back-up data processing services adequate to meet its data processing needs in the event the Information Technologies or any of their components is rendered temporarily or permanently inoperative as a result of a natural or other disaster.
  - (b) All licensed software which comprises part of the Information Technologies is in machine-readable form, contains current revisions of that software as delivered to the Subsidiaries by the licensors thereof and includes all object codes, computer programs, magnetic media and documentation which is used or required by the Subsidiaries for use in its Information Technologies sufficient to permit a Person of reasonable skill and experience to operate, maintain and modify that software. Except as set out in the Disclosure Letter, to the extent that software is licensed software, a copy of the source code is in escrow for the benefit of the Subsidiaries in the event of the occurrence of certain triggering events and none of the licences for that software will be adversely affected by a change of ownership of shares in

the capital of the Subsidiaries or requires prior approval of any transfer or assignment to remain in force or effect.

- (8) No Finder's Fees. Each of the Vendor and the Subsidiaries have not taken and will not take any action that would cause the Purchaser to become liable to any claim for a brokerage commission, finder's fee or other similar arrangement in respect of the Transaction.
- (9) Full Disclosure. Neither this Agreement nor any other contract, agreement, instrument, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by the Vendor and the Subsidiaries or by either of them nor any certificate, report, statement or other document furnished by the Vendor and the Subsidiaries or by either of them in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. There has been no event, transaction or information that has come to the attention of the Vendor or the Subsidiaries that have not been disclosed to the Purchaser in writing that could reasonably be expected to have a Material Adverse Effect.
- (10) No Liabilities and No Cash. None of the Subsidiaries have any liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, nor are any of the Subsidiaries a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise) of any Person. None of the Subsidiaries holds any cash.
- (11) No Unknown Documents. The Vendor does not have in its possession or control any documents or information relating to the Subsidiaries or the Business, including Books and Records, minute books or any documentation or resolutions required to be contained in the minute books of the subsidiaries, or documents or information with respect to Taxes, that are not in the possession of the Subsidiaries or have not been made available to the Purchaser.
- (12) No Material Change. Since March 4, 2020 there has not been any material change to the Business or the Subsidiaries that has not been publicly disclosed by the Vendor.
- (13) DL Hockey China. Once the corporate records and registration of DL Hockey China have been updated to correctly reflect that DL Hockey HK is the registered and beneficial owner of all the issued and outstanding shares of DL Hockey China, prior to Closing, DL Hockey China will be registered as a wholly-owned subsidiary of DL Hockey HK.

**5.3 Representations and Warranties of the Purchaser.** The Purchaser represents and warrants to the Vendor as follows and acknowledge that the Vendor is relying on these representations and warranties in connection with the sale by the Vendor of the Purchased Shares:

- (1) Organization and Corporate Power. The Purchaser is a corporation duly incorporated and organized, is validly subsisting, under the laws of British Columbia and is up-to-date in the

filing of all corporate and similar returns under the laws of that jurisdiction. The Purchaser has all necessary corporate power and authority to enter into this Agreement and to perform their obligations hereunder, including the Purchaser's acquisition of the Purchased Shares.

- (2) Authorization. All necessary corporate actions have been taken by or on the part of the Purchaser to authorize the execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by them and the performance of their obligations hereunder and thereunder.
- (3) Enforceability. This Agreement has been duly executed and delivered by the Purchaser and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of the Purchaser enforceable against each of the Purchaser in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under section 7.11. Each of the contracts, agreements and instruments required by this Agreement to be delivered by the Purchaser will at the Closing have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against each of the Purchaser in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under section 7.11.
- (4) Bankruptcy. The Purchaser is not insolvent persons within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and have not made an assignment in favour of their creditors or a proposal in bankruptcy to any of their creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. The Purchaser has not initiated proceedings with respect to a compromise or arrangement with any of their creditors or for any of their winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of their undertakings, property or assets and no execution or distress has been levied on any of their undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.
- (5) Absence of Conflict. The execution, delivery and performance by the Purchaser of this Agreement and the completion of the Transactions will not, (whether after the passage of time or notice or both), result in:
  - (a) the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of their obligations, under:
    - (i) any provision of each of their Constatting Documents or resolutions of the applicable board of directors (or any committee thereof) or shareholders;
    - (ii) any approval issued to, held by or for the benefit of, the Purchaser;
    - (iii) any Applicable Law; or
  - (b) the requirement for any approval from any creditor of the Purchaser.

- (6) Full Disclosure. Neither this Agreement nor any other contract, agreement, instrument, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by the Purchaser nor any certificate, report, statement or other document furnished by the Purchaser, or by either of them in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. There has been no event, transaction or information that has come to the attention of the Purchaser that have not been disclosed to the Purchaser in writing that could reasonably be expected to have a Material Adverse Effect.

**5.4 Survival of Representations, Warranties and Covenants of the Vendor.** The representations and warranties of the Vendor and, to the extent that they have not been fully performed or waived at or prior to the Closing, the covenants and other obligations of the Vendor, in each case contained in this Agreement and in any contract, agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement survive Closing and continue for the benefit of the Purchaser notwithstanding the Closing, any investigation made by or on behalf of the Purchaser or any knowledge of the Purchaser, provided that:

- (1) the representations and warranties set out in Sections 5.1(1) (Organization and Status), 5.1(2) (Corporate Power), 5.1(3) (Authorization), 5.1(4) (Enforceability), 5.1(5) (Ownership of Purchased Shares), 5.1(6) (No Other Agreements to Purchase), 5.1(7) (Bankruptcy), 5.2(1) (Organization and Status - insofar as it relates to the due incorporation and organization and the valid existence of the Subsidiaries), 5.2(2) (Authorized and Issued Capital), 5.2(3) (Options), (No Subsidiaries), 5.2(5) (Bankruptcy), (and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 4.1(1)(k)(vii)(3) (the “Closing Certificates”)) survive and continue in full force and effect without limitation of time;
- (2) the remainder of the representations and warranties set out in Sections 5.1 and 5.2 (and the corresponding representations and warranties set out in the Closing Certificates) survive Closing and continue in full force and effect until, but not beyond, the second anniversary of the Closing Date; and
- (3) notwithstanding Sections 5.4(1) through 5.4(2), a claim for any breach by the Vendor of any of the representations, warranties and covenants contained in this Agreement or in any contract, agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud, fraudulent misrepresentation, intentional misrepresentation or deliberate or wilful breach may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Applicable Law.

**5.5 Survival of the Representations, Warranties and Covenants of the Purchaser.** The representations and warranties of the Purchaser and, to the extent that they have not been fully performed or waived at or prior to Closing, the covenants and other obligations of the Purchaser, contained in this Agreement and in any contract, agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement survive Closing and continue for the benefit of the Vendor notwithstanding the Closing, any

investigation made by or on behalf of the Vendor or any knowledge of the Vendor, provided that:

- (1) the representations and warranties set out in Section 5.3 (and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 4.2(1)(g)(iii)) survive Closing and continue in full force and effect, but not beyond, the second anniversary of the Closing Date; and
- (2) notwithstanding Section 5.5(1), a claim for any breach by the Purchaser of any of their representations, warranties and covenants contained in this Agreement or in any contract, agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud, fraudulent misrepresentation, intentional misrepresentation or deliberate or wilful breach may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Applicable Law.

## **ARTICLE 6 COVENANTS**

**6.1 Exclusive Dealings.** During the Interim Period, the Vendor shall not, and shall cause the Subsidiaries not to, take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to, or enter into any agreement or arrangement or understanding with, any Person, other than the Purchaser, and their designated and authorized Representatives, concerning any sale, transfer or assignment of the Purchased Shares, any portion of the Business. The Vendor shall notify the Purchaser promptly if any such discussions or negotiations are sought or if any proposal for a sale, transfer or assignment of the Purchased Shares, any portion of the Business is received or being considered.

**6.2 Transfer of Documentation.**

- (1) On the Closing Date, the Vendor shall deliver, and shall cause to be delivered, to the Purchaser the Books and Records and all documents (except, in the case of those required by Applicable Law to be retained by the Vendor, copies thereof) and other data, technical or otherwise, which are owned by the Vendor at the Closing Date, relating to the Subsidiaries and the Business. The Purchaser shall preserve all those documents delivered to it in accordance with the Purchaser's document retention procedures, or for such longer period as is required by Applicable Law. The Purchaser shall permit the Vendor or their authorized Representatives reasonable access to those documents while they are in the Purchaser's possession or control solely to the extent that access is required by the Vendor to perform their obligations under this Agreement or under Applicable Law, but the Purchaser shall not be responsible or liable to the Vendor for, or as a result of, any loss or destruction of or damage to any such documents and other data unless that destruction, loss or damage is caused by the Purchaser's negligence or wilful misconduct. The Vendor shall be responsible for all reasonable out-of-pocket costs and expenses incurred, directly or indirectly, by the Purchaser in connection with any access contemplated by this Section 6.2(1).

- (2) Notwithstanding Section 6.2(1), the Vendor shall be entitled to retain copies of any documents or other data delivered to the Purchaser pursuant to Section 6.2(1) provided that those documents or data are reasonably required and only used or relied on by the Vendor to perform its obligations under this Agreement or under Applicable Law. The Vendor shall retain any documents or data which relate to the Business and which are retained by the Vendor pursuant to this Section 6.2(2) in strict confidence and shall not use or otherwise disclose the data or information contained therein except as permitted by Section 7.1(3).

### **6.3 Investigation.**

- (1) During the Interim Period, the Vendor shall, and shall cause the Subsidiaries and their respective Representatives to, permit the Purchaser and its authorized Representatives to make such investigations, inspections, surveys or tests of the Subsidiaries, Business, and of their respective financial, legal and physical condition as the Purchaser deems necessary or desirable to familiarize itself with the Business, and other matters. Without limiting the generality of the foregoing, the Vendor shall, and shall cause the Subsidiaries and their respective Representatives to, provide the Purchaser with free and unrestricted access during normal business hours to (a) all documents relating to information scheduled or required to be disclosed under this Agreement, (b) the Books and Records, (c) the Information Technologies, (d) the Contracts, (e) records regarding suppliers, customers and regulators, (f) all other reports (including title opinions) prepared by advisors of the Subsidiaries and their Affiliates in connection with the Subsidiaries, the Business, and the Vendor shall cause the Subsidiaries and their respective Representatives to provide photocopies to the Purchaser of all such written information and documents as reasonably requested by the Purchaser.
- (2) At the Purchaser's request, the Vendor shall execute or cause to be executed, such consents, authorizations and directions as may be necessary to permit any inspection of the Subsidiaries, the Business and to enable the Purchaser or its authorized Representatives to obtain full access to all files and records relating to the Subsidiaries maintained by Governmental Authorities and self-regulating authorities.
- (3) At the Purchaser's request and expense, the Vendor shall co-operate with and assist the Purchaser in attempting to arrange any meetings as the Purchaser should reasonably request with:
  - (a) customers, suppliers, distributors or others who have or have had a business relationship with the Subsidiaries; and
  - (b) auditors, solicitors or any other Persons engaged or previously engaged to provide services to the Subsidiaries who have knowledge of matters relating to the Subsidiaries and the Business.
- (4) The exercise of any rights of inspection by or on behalf of the Purchaser under this Section 6.3 does not mitigate or otherwise affect the representations and warranties of the

Vendor under this Agreement, which continue in full force and effect as provided in Section 5.4.

**6.4 Change and Use of Name.** The Vendor shall, on the Closing Date, change its name and the name of any of its Associates or Affiliates that include the word “ProSmart” to a name that does not include that word or any part thereof or any similar words. From and after the Closing Date, neither the Vendor nor any of their respective Associates or Affiliates shall use the word “ProSmart” or any part thereof or any similar words.

**6.5 Vendor Meeting**

- (1) The Vendor will convene and hold the Vendor Meeting as soon as possible, and by not later than November 15, 2020 unless otherwise agreed by the parties in writing, for the purpose of obtaining Vendor Shareholder Approval of the Vendor Resolution. Except as otherwise provided in this Agreement, in connection with the Vendor Meeting, as promptly as reasonably practicable, the Vendor shall prepare the Vendor Circular together with any other documents required by Applicable Law in connection with the approval of the Vendor Resolution and the Vendor shall give the Purchaser the opportunity to review and comment on the Vendor Circular and all such other documents and the Vendor Circular and all such other documents shall be reasonably satisfactory to the Purchaser, acting reasonably, before they are filed or distributed to the Vendor Shareholders, subject to any disclosure obligations imposed on the Vendor by any Governmental Authority.
- (2) The Vendor shall ensure that the Vendor Circular complies with all Applicable Law and, without limiting the generality of the foregoing, shall ensure that the Vendor Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than with respect to any information relating solely to and provided by the Purchaser).
- (3) Purchaser shall promptly furnish to the Vendor all information concerning the Purchaser as may be required for the preparation of the Vendor Circular and hereby covenants that no information furnished by the Purchaser in connection therewith or otherwise in connection with the consummation of the Transactions will contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is provided.
- (4) The Vendor shall provide Purchaser with a copy of any purported exercise of the Dissent Rights and written communications with such Vendor Shareholder purportedly exercising such Dissent Rights, and shall not settle or compromise any action brought by any present, former or purported holder of any of its securities in connection with the Transactions contemplated by this Agreement, including the Transactions, without the prior consent of Purchaser.
- (5) In a timely and expeditious manner, the Vendor shall prepare, in consultation with the Purchaser, and file any mutually agreed (or as otherwise required by Applicable Law)

amendments or supplements to the Vendor Circular (which amendments or supplements shall be in a form satisfactory to Purchaser, acting reasonably) with respect to the Vendor Meeting and mail such amendments or supplements, as required by and in accordance with all Applicable Law, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all Applicable Law on the date of the mailing thereof.

- (6) Except for proxies and other non-substantive communications, the Vendor shall furnish promptly to the Purchaser a copy of each notice, report, schedule or other document or communication delivered, filed or received by the Vendor in connection with this Agreement, the Transactions or the Vendor Meeting or any other meeting at which all the Vendor Shareholders are entitled to attend relating to special business, any filings made under any Applicable Law and any dealings or communications with any Governmental Authority in connection with, or in any way affecting, the transactions contemplated by this Agreement.

**6.6 Conduct Prior to Closing.** Without in any way limiting any other obligations of the Vendor hereunder, during the Interim Period, the Vendor shall:

- (1) cause the Subsidiaries to conduct the Business and the operations and affairs of the Subsidiaries only in the Ordinary Course, and the Subsidiaries shall not, without the prior written consent of the Purchaser, enter into any transaction or refrain from doing any action that, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of the Vendor in this Agreement and, without limiting the generality of the foregoing, the Vendor shall cause the Subsidiaries not to:
  - (a) amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares of any Person;
  - (b) enter into any compromise or settlement of any litigation, proceeding or government investigation relating to the Business;
  - (c) make any material modification to its usual sales, human resource accounting, software, or management practices, processes or systems;
  - (d) move any material part of the Business to any other location from which the Subsidiaries do not carry on the Business at the date hereof;
  - (e) knowingly take any action, or omit to take any action, that would result in the Subsidiaries being in violation of the Privacy Requirements;
  - (f) make any change to their Constatting Documents;
  - (g) change their taxation year; or
  - (h) change their methods of accounting in effect except as required by changes in GAAP.

- (2) the Vendor will use commercially reasonable efforts to ensure that the corporate records and registration of DL Hockey HK and DL Hockey China are updated during the Interim Period to reflect that the Vendor is the correct registered and beneficial owner of all of the issued and outstanding shares of DL Hockey HK, and DL Hockey HK is the correct registered and beneficial owner of all of the issued and outstanding shares of DL Hockey China;
- (3) cause the Subsidiaries not to change any method of Tax accounting, make or change any material Tax election, file any materially amended Tax Return, settle or compromise any material Tax liability, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of Taxes, enter into any agreement with respect to any Tax or surrender any right to claim a material Tax refund, except in each case in the Ordinary Course;
- (4) cause the Subsidiaries not to do any act or thing that would result in a breach of Section 6.1;
- (5) cause the Subsidiaries to preserve intact, the Business, and the operations and affairs of the Subsidiaries and to carry on the Business and the affairs of the Subsidiaries as currently conducted, and to promote and preserve for the Purchaser the goodwill of suppliers, customers and others having business relations with the Subsidiaries;
- (6) cause the Subsidiaries to take all necessary and prudent steps to ensure that their Representatives comply with all Privacy Requirements;
- (7) cause the Subsidiaries to pay and discharge the liabilities and Taxes of the Subsidiaries in the Ordinary Course in accordance and consistent with the previous practice of the Subsidiaries, except those contested in good faith by the Subsidiaries;
- (8) take all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the transfer of the Purchased Shares to the Purchaser and to cause all necessary meetings of directors and shareholders of the Vendor to be held for that purpose;
- (9) cause the Subsidiaries to take all necessary corporate action, steps and proceedings to authorize, consent and otherwise complete the transfer of the Purchased Shares to the Purchaser and to cause all necessary meetings of directors and shareholders of the Subsidiaries to be held for that purpose;
- (10) periodically report, and shall cause the Subsidiaries to periodically report, to the Purchaser as it requests concerning the state of the Subsidiaries, the Business; and
- (11) use its commercially reasonable efforts to satisfy the conditions contained in Section 4.1.

#### **6.7 Notification of Certain Matters.**

- (1) During the Interim Period, the Vendor shall give prompt notice in writing to the Purchaser of:

- (a) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties of the Vendor contained in this Agreement to be untrue or inaccurate during the Interim Period;
  - (b) any notice or communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions;
  - (c) any notice or communication from any Governmental Authority in connection with the Transactions;
  - (d) any Proceeding commenced or threatened against the Subsidiaries or the Vendor or relating to or involving or otherwise affecting either of them, or which relates to the consummation of the Transactions; and
  - (e) any failure by the Vendor to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under this Agreement.
- (2) The Vendor shall, and shall cause the Subsidiaries to, confer on a regular and frequent basis with one or more designated Representatives of the Purchaser to report on operational matters and on the general status of the Business. The Vendor shall, and shall cause the Subsidiaries to, notify the Purchaser of any emergency or other change in the Ordinary Course or in the operation of the Business and of any governmental complaints, investigations or hearings (or communications indicating that such may be contemplated) or adjudicatory proceedings involving any portion of the Business, and will keep the Purchaser fully informed of such events and permit the Representatives of the Purchaser access to all materials prepared in connection therewith.
- (3) During the Interim Period, the Purchaser shall give prompt notice in writing to the Vendor of:
- (a) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties of the Purchaser contained in this Agreement to be untrue or inaccurate during the Interim Period;
  - (b) any notice or communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions;
  - (c) any notice or communication from any Governmental Authority in connection with the Transactions;
  - (d) any Proceeding commenced or threatened against the Purchaser, or relating to or involving or otherwise affecting either of them, or which relates to the consummation of the Transactions; and
  - (e) any failure by the Purchaser to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under this Agreement.

- (4) The giving of any notice under this Section 6.7 does not in any way change or modify the representations and warranties of the Vendor, or the conditions to the obligations of the Purchaser, contained in this Agreement or otherwise affect the remedies available to the Purchaser under this Agreement.
- 6.8 Regulatory Approvals.** The Purchaser shall diligently pursue the approval of the PPR Release that will release the Vendor from the Secured Debt.

## **ARTICLE 7 GENERAL**

### **7.1 Confidentiality of Information.**

- (1) For the purposes of this Section 7.1, “**Confidential Information**” of a Party at any time means all information relating to that Party which at the time is of a confidential nature (whether or not specifically identified as confidential), is known or should be known by the other relevant Party or its Representatives as being confidential, and has been or is from time to time made known to or is otherwise learned by the relevant other Party or any of its Representatives as a result of the matters provided for in this Agreement, and includes:
- (a) the existence and the terms of this Agreement and of any other contract, agreement, instrument, certificate or other document to be entered into as contemplated by this Agreement;
  - (b) a Party’s business records;
  - (c) all Books and Records and all other information and documentation with respect to the Subsidiaries, the Business provided by the Vendor, the Subsidiaries to the Vendor, the Purchaser and heir Representatives, including all notes, analyses, compilations, studies, summaries and other material prepared by the Purchaser, and their Representatives as a result of the Books and Records, information or documentation; and
  - (d) all copies of documents and data retained by the Vendor pursuant to Section 6.2(2).

Notwithstanding the foregoing, Confidential Information does not include any information that at the time has become generally available to the public other than as a result of a disclosure by the other Party or any of its Representatives, any information that was available to the other Party or its Representatives on a non-confidential basis before the date of this Agreement or any information that becomes available to the other Party or its Representatives on a non-confidential basis from a Person (other than the Party to which the information relates or any of its Representatives) who is not, to the knowledge of the other Party or its Representatives, otherwise bound by confidentiality obligations to the Party to which the information relates in respect of the information or otherwise prohibited from transmitting the information to the other Party or its Representatives.

- (2) Each Party shall (and shall cause each of its Representatives to) hold in strictest confidence and not use in any manner, other than as expressly contemplated by this Agreement, all Confidential Information of the other Parties.
- (3) Subject to Section 7.2, Section 7.1(2) shall not apply to the disclosure of any Confidential Information where that disclosure is required by Applicable Law or as required by any Governmental Authority. In that case, the Party required to disclose (or whose Representative is required to disclose) shall, as soon as possible in the circumstances, notify the other Parties of the requirement of the disclosure including the nature and extent of the disclosure and the provision of Applicable Law pursuant to which the disclosure is required. To the extent possible, the Party required to make the disclosure shall, before doing so, provide to the other Parties the text of any disclosure. On receiving the notification, the other Parties may take any reasonable action to challenge the requirement, and the affected Party shall (or shall cause the applicable Representative to), at the expense of the other Parties, assist the other Parties in taking that reasonable action. Notwithstanding the foregoing, no disclosure shall be made of the amount of the Purchase Price, unless and to the extent required by Applicable Law or as required by any Governmental Authority.
- (4) Following the termination of this Agreement in accordance with the provisions of Section 4.3 each Party shall (and shall cause each of its Representatives to) promptly, on a request from any other Party, return to the requesting Party all copies of any tangible items (other than this Agreement), if any, that are or that contain Confidential Information of the requesting Party, except that if the Party so obligated to return Confidential Information or its Representatives have prepared notes, analyses, compilations, studies or summaries containing or concerning any Confidential Information, then that Party may, instead of returning the notes, analyses, compilations, studies or summaries, destroy them and provide a certificate to that effect to the requesting Party.

**7.2 Public Announcements.** No Party shall make any public statement or issue any press release concerning the Transactions except as agreed by the Parties acting reasonably or as may be necessary, in the opinion of counsel to the Party making that disclosure, to comply with the requirements of all Applicable Law or as required by any Governmental Authority. If any public statement or release is so required, the Party making the disclosure shall consult with the other Parties before making that statement or release, and the Parties shall use all reasonable efforts, acting in good faith, to agree on a text for the statement or release that is satisfactory to the Parties.

**7.3 Disclosure and Consultation.**

- (1) Before any public statement or press release concerning the Transactions, no Party shall disclose this Agreement or any aspect of the Transactions except to its board of directors, its senior management, its legal, accounting, financial or other professional advisors, any financial institution contacted by it with respect to any financing required in connection with the Transactions and counsel to that institution, or as may be required by any Applicable Law, any Governmental Authority or as agreed by the Parties.

- (2) The Vendor, and the Purchaser shall consult with each other concerning the manner by which the customers, suppliers and other Persons having dealings with the Subsidiaries shall be informed of the Transactions, and the Purchaser shall have the right to be present for any such communication.
- 7.4 Expenses.** On the Closing Date the Vendor shall provide the Purchaser with \$10,000 for the legal fees of the Purchaser incurred in the authorization, negotiation, preparation, execution and performance of this Agreement and the Transactions. Each Party is otherwise responsible for all expenses (including Taxes imposed on those expenses) it incurs in the authorization, negotiation, preparation, execution and performance of this Agreement and the Transactions, including all fees and expenses of its legal counsel, bankers, investment bankers, brokers, accountants or other representatives or consultants. The Vendor shall cause the Subsidiaries not to incur any out-of-pocket expenses in connection with this Agreement and the Transactions.
- 7.5 Commercially Reasonable Efforts.** In this Agreement, unless specified otherwise, an obligation of any Party to use its commercially reasonable efforts to obtain any approval does not require the Party to make any payment to any Person for the purpose of procuring the approval, except for payments for amounts due and payable to that Person, payments for incidental expenses incurred by that Person and payments required by any Applicable Law or any Governmental Authority.
- 7.6 Entire Agreement.** This Agreement together with the other agreements to be entered into as contemplated by this Agreement (the “**Other Agreements**”) constitute the entire agreement among the Parties pertaining to the subject matter of this Agreement and the Other Agreements and supersede all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. Except as specifically set out in this Agreement or the Other Agreements, there are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement or the Other Agreements or which induced any Party to enter into this Agreement or the Other Agreements. No reliance is placed on any representation, warranty, opinion, advice or assertion of fact made either prior to, concurrently with, or after entering into, this Agreement or any Other Agreement, or any amendment or supplement hereto or thereto, by any Party to this Agreement or any Other Agreement or its Representatives, to any other Party or its Representatives, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement or that Other Agreement, and none of the parties to this Agreement or any Other Agreement has been induced to enter into this Agreement or any Other Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in contract, assessed in relation to the representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section.
- 7.7 Non-Merger.** Except as otherwise provided in this Agreement, the covenants, representations and warranties set out in this Agreement do not merge but survive Closing and, notwithstanding such Closing or any investigation by or on behalf of a Party, continue

in full force and effect. Closing does not prejudice any right of one Party against another Party in respect of any remedy in connection with anything done or omitted to be done under this Agreement.

**7.8 Time of Essence.** Time is of the essence of this Agreement.

**7.9 Amendment.** This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each Party.

**7.10 Waiver of Rights.** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

**7.11 Arbitration.** All disputes arising out of, or in connection with, this Agreement, or in respect of any legal relationship associated with it or derived from it, will be finally resolved by arbitration administered by ICDR Canada under its Canadian Arbitration Rules. The seat of arbitration will be Vancouver, British Columbia. The language of the arbitration will be English.

**7.12 Governing Law.** This Agreement is governed by, and interpreted and enforced in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable in that province, excluding the choice of law rules of that province.

**7.13 Notices.**

(1) Any notice, direction, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement (in this Section 7.13, a “**notice**”) shall be in writing and shall be effectively given and made if (c) delivered personally, (d) sent by prepaid courier service or mail, or (e) sent by fax or other means of recorded electronic communication, including e-mail, in each case to the applicable address set out below (provided that any of the Parties may change the address designated from time to time, by notice in writing to the other Parties and new Parties that become Parties from time to time shall provide notice in writing to the other Parties with their contact information):

in the case of a notice to the Vendor, addressed to it at:

[REDACTED]

Attention:

Email:

[REDACTED]

with a copy (not constituting notice) to:

[REDACTED]

Attention:

Email:

[REDACTED]

and in the case of a notice to the Purchaser, addressed to it at:

[REDACTED]

Attention:

Email:

[REDACTED]

with a copy (not constituting notice) to:

[REDACTED]

Attention:

Email:

[REDACTED]

(2) Any notice sent in accordance with this Section 7.13 is deemed to have been received:

- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
- (b) if sent by mail, on the fifth Business Day after mailing in the place where the notice is received, or, in the case of disruption of postal service, on the fifth Business Day after cessation of that disruption;
- (c) if sent by facsimile during normal business hours on a Business Day in the place where the Transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; or
- (d) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person or sent by Transmission not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice

is received, is deemed to have been received on the next succeeding Business Day in the place where the notice is received.

- (3) Any Party may change its address for notice by giving notice to the other Parties.

**7.14 Assignment.**

- (1) With the express written consent of the Vendor the Purchaser may assign all of its rights and obligations under this Agreement to an Affiliate of the Purchaser.

**7.15 Further Assurances.** Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that any other Party may reasonably require, for the purposes of giving effect to this Agreement.

**7.16 Severability.** If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, that provision will, as to that jurisdiction, be ineffective only to the extent of that restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement, without affecting the validity or enforceability of that provision in any other jurisdiction and, if applicable, without affecting its application to the other Parties or circumstances. The Parties shall engage in good faith negotiations to replace any provision which is so restricted, prohibited or unenforceable with an unrestricted and enforceable provision, the economic effect of which comes as close as possible to that of the restricted, prohibited or unenforceable provision which it replaces.

**7.17 Successors.** This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors.

**7.18 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

[Signature page follows]



IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

**PROSMART ENTERPRISES INC.**

By: "Zelong He"  
Name:  
Title:

**1255589 B.C. LTD.**

By: "1255589 B.C. LTD. "  
Name: Brent Gilchrist  
Title: Director

*Signature page of the Share Purchase Agreement*

**SCHEDULE "A"**  
**FINANCIAL STATEMENTS**



**PROSMART ENTERPRISES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2019**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Prosmart Enterprises Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Prosmart Enterprises Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

September 14, 2020

**PROSMART ENTERPRISES INC.**  
**Consolidated Statements of Financial Position**  
**As at September 30, 2019 and September 30, 2018**  
**Expressed in Canadian dollars**

	Note	September 30, 2019	September 30, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 14,164	\$ 132,101
Receivables		2,231	134,557
Prepaid expenses and deposits		5,276	105,877
		<b>21,671</b>	<b>372,535</b>
Software and platform development	5	2	2
Equipment	6	-	17,299
		<b>\$ 21,673</b>	<b>\$ 389,836</b>
<b>SHAREHOLDERS' DEFICENCY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,344,818	\$ 1,453,401
Short-term loans payable	8	24,023	151,096
Convertible debt	9	693,333	-
		<b>2,062,174</b>	<b>1,604,497</b>
Share capital	10	22,719,952	22,626,270
Reserves	10	458,056	1,135,336
Obligation to issue shares	10	-	43,555
Deficit		(25,249,039)	(25,024,327)
Other comprehensive income		30,530	4,505
Shareholders' deficiency		<b>(2,040,501)</b>	<b>(1,214,661)</b>
		<b>\$ 21,673</b>	<b>\$ 389,836</b>

Nature of operations and going concern (Note 1)

Commitments (Note 19)

Subsequent event (Note 20)

Approved and authorized by the Board of Directors on September 14, 2020.

\_\_\_\_\_  
*"Cale Thomas"*

Director

\_\_\_\_\_  
*"Roger He"*

Director

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

**PROSMART ENTERPRISES INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended September 30, 2019 and 2018**  
**Expressed in Canadian dollars**

	Note	Year Ended	
		September 30, 2019	September 30, 2018
<b>REVENUES</b>	11	\$ 213,598	\$ 248,283
Cost of good sold		(20,123)	(12,785)
<b>Gross Margin</b>		<b>193,475</b>	235,498
<b>EXPENSES</b>			
Amortization of software and platform development costs	5	-	521,420
Amortization of equipment	6	4,595	7,509
Filing and other fees		-	55,295
General and administrative	12,13	601,711	1,671,525
Investor relations		79,431	594,114
Management and consulting fees	13	129,106	744,594
Professional fees		80,223	274,851
Software and platform development		39,886	2,037,205
<b>Loss before other items</b>		<b>(741,477)</b>	(5,671,015)
<b>OTHER ITEMS</b>			
Financing income, net		(180,810)	3,425
Foreign exchange gain (loss)		2,179	(12,265)
Gain on write-off of debts	10	39,262	21,545
Impairment of goodwill	7	-	(6,514,504)
Impairment of software and platform development	5	-	(890,015)
Loss on disposal of equipment	6	(13,279)	-
Share-based payments	10,13	(37,268)	(511,409)
<b>Loss before taxes</b>		<b>(931,393)</b>	(13,574,238)
Deferred income tax recovery	18	-	55,000
<b>Net loss</b>		<b>(931,393)</b>	(13,519,238)
<b>Other comprehensive income</b>			
Foreign currency translation adjustment		26,025	4,505
<b>Loss and comprehensive loss for the year</b>		<b>\$ (905,368)</b>	\$ (13,514,733)
<b>Loss per share</b>			
- basic and diluted		\$ (0.03)	\$ (0.50)
<b>Weighted average number of shares outstanding</b>			
- basic and diluted		32,113,571	26,845,691

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

**PROSMART ENTERPRISES INC.**  
**Consolidated Statements of Cash Flows**  
**For the years ended September 30, 2019 and 2018**  
**Expressed in Canadian dollars**

	Year Ended	
	September 30, 2019	September 30, 2018
<b>Operating activities</b>		
Loss for the year	\$ (931,393)	\$ (13,519,238)
Items not involving cash:		
Amortization of software and platform development costs	-	521,420
Amortization of equipment	4,595	7,509
Impairment of goodwill	-	6,514,504
Impairment of intangible asset	-	890,015
Deferred income tax recovery	-	(55,000)
Gain on settlement of debt	(39,262)	(21,545)
Interest accrued on short-term loan, net of recoveries	(73)	1,096
Interest and accretion expense on convertible debentures	179,752	-
Loss on disposal of equipment	13,279	-
Share-based payments	37,268	511,409
	<b>(735,834)</b>	<b>(5,149,830)</b>
Net changes in non-cash working capital items		
Receivables	132,326	(50,623)
Prepaid expenses and deposits	100,601	(83,309)
Accounts payable and accrued liabilities	16,520	1,031,620
<b>Net cash and cash equivalents used in operating activities</b>	<b>(486,387)</b>	<b>(4,252,142)</b>
<b>Financing activities</b>		
Proceeds received from private placements	-	2,438,365
Refund of proceeds received from private placements	(50,000)	-
Share issuance costs	-	(152,454)
Exercise of options	-	38,220
Proceeds received from issuance of convertible debentures	370,000	-
Loans received	23,000	150,000
Loans repaid	-	(52,326)
<b>Net cash and cash equivalents provided by financing activities</b>	<b>343,000</b>	<b>2,421,805</b>
<b>Investing activities</b>		
Purchases of equipment	-	(20,776)
Cost of disposal of equipment	(575)	-
Net cash from acquisition of subsidiary	-	1,218
<b>Net cash and cash equivalents used in investing activities</b>	<b>(575)</b>	<b>(19,558)</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<b>26,025</b>	<b>4,505</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(117,937)</b>	<b>(1,845,390)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>132,101</b>	<b>1,977,491</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 14,164</b>	<b>\$ 132,101</b>

**Supplemental disclosure with respect to cash flows (Note 15)**

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

**PROSMART ENTERPRISES INC.**  
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
**For the years ended September 30, 2019 and 2018**  
**Expressed in Canadian dollars**

	Number of Shares	Share Capital	Reserves	Obligation to Issue Shares	Deficit	Other Comprehensive Income	Total
<b>Balance as at September 30, 2017</b>	23,883,414	\$ 20,593,356	\$ 322,465	\$ -	\$ (11,540,337)	\$ -	\$ 9,375,484
Shares issued for private placement	6,966,755	2,438,365	-	-	-	-	2,438,365
Warrants issued for private placements	-	(657,213)	657,213	-	-	-	-
Share issuance costs, cash	-	(198,090)	-	-	-	-	(198,090)
Share issuance costs, warrants	-	(51,624)	51,624	-	-	-	-
Shares issued on acquisition of DLH	170,620	60,570	-	-	-	-	60,570
Shares issued on conversion of debt	84,885	30,559	-	-	-	-	30,559
Shares issued for private placement	100,000	-	-	-	-	-	-
Shares issued for options exercise	79,625	73,828	(35,608)	-	-	-	38,220
Shares issued for RSU exercise	437,500	309,050	(309,050)	-	-	-	-
Obligation to issue shares	-	-	-	43,555	-	-	43,555
Share-based payments	-	-	511,409	-	-	-	511,409
Expiry of stock options	-	-	(35,248)	-	35,248	-	-
Expiry of warrants	-	27,469	(27,469)	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	4,505	4,505
Loss and comprehensive loss for the year	-	-	-	-	(13,519,238)	-	(13,519,238)
<b>Balance as at September 30, 2018</b>	31,722,799	\$ 22,626,270	\$ 1,135,336	\$ 43,555	\$ (25,024,327)	\$ 4,505	\$ (1,214,661)
Share issuance costs, warrant cancellation	-	14,286	(14,286)	-	-	-	-
Shares issued on conversion of debt	350,373	85,841	-	-	-	-	85,841
Shares issued to settle obligation to issue shares	177,777	43,555	-	(43,555)	-	-	-
Share-based payments	-	-	37,268	-	-	-	37,268
Shares returned to treasury	(142,857)	(50,000)	-	-	-	-	(50,000)
Expiry of stock options	-	-	(706,681)	-	706,681	-	-
Equity component of convertible debenture	-	-	6,419	-	-	-	6,419
Foreign currency translation adjustment	-	-	-	-	-	26,025	26,025
Loss and comprehensive loss for the year	-	-	-	-	(931,393)	-	(931,393)
<b>Balance as at September 30, 2019</b>	32,108,092	\$ 22,719,952	\$ 458,056	\$ -	\$ (25,249,039)	\$ 30,530	\$ (2,040,501)

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

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

ProSmart Enterprises Inc. (the "Company") was incorporated under the laws of the State of Nevada on October 29, 1999. On January 27, 2009, the Company was continued from the State of Nevada to the Province of British Columbia under the Business Corporation Act.

The Company's registered and records office is #1500 - 1055 West Georgia Street Vancouver, BC V6E 4N7. Its principal business activity is the business of investing in technology companies, which involves a high degree of risk and there can be no assurance that current investment programs will result in profitable operations.

On March 6, 2018, the Company consolidated its issued and outstanding shares on a 4 to 1 basis. The exercise price and number of shares issuable by way of options, warrants and RSU's of the Company will be proportionately adjusted to account for the share consolidation. All shares and per share amounts have been restated to reflect the share consolidation retrospectively.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the economy and in the global markets and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's future operations and ability to access future capital. The extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated at this time.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

**2. BASIS OF PREPARATION**

**Statement of Compliance**

These consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**Basis of Presentation and Consolidation**

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements include the financial statements of the Company, ProSmart Sports Development Inc. ("PSD"), RosterBot Inc. ("RosterBot"), and DL Hockey Consulting Limited ("DL Hockey"), the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

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**2. BASIS OF PREPARATION** (cont'd...)

*Business Combinations*

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in profit and loss as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.

**Use of Estimates and Judgments**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

*Critical accounting estimates*

- i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.
- ii. The determination of the equity component of the convertible debentures requires estimates of imputed interest rates and discount factors to estimate a fair value of the liability as well as the interest and equity components of the instrument.
- iii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

*Critical accounting judgments*

- i. The acquisition of DL Hockey required judgments and estimates to be made at the date of acquisition in relation to determining asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. Management is required to make certain judgments regarding future events, future operating costs and capital expenditures. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the acquisition date.
- ii. The determination that the Company will continue as a going concern for the next year.
- iii. The application of the Company's accounting policy for software in development and web platform expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions that are cashable and where principal is guaranteed, and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. As at September 30, 2019 and 2018, the Company held \$12,829 and \$42,829 respectively as cash equivalents.

#### Software and platform development expenditures

Software and platform development expenditures consist of costs incurred to develop the Company's software and platform to earn revenue with respect to the Company's business operations. Development costs are capitalized in accordance with IAS 38, *Intangible Assets*, and accordingly are recognized when the Company can demonstrate (i) the technical feasibility of the asset, (ii) the intention to complete and use or sell the asset, (iii) the ability to use or sell the asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the platform development and to use or sell the asset, and (vi) ability to reliably measure the expenditure attributable to the asset during its development. Costs that do not meet these criteria are considered research costs and are expensed as incurred.

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Software and platform development costs are intangible assets with a finite useful life, and accordingly are amortized over the assets' estimated useful life commencing when the asset was available for use, being when it is in the condition necessary for it to be capable of operating in the manner intended by management.

Software development costs are amortized on a straight-line basis over 5 years, while platform development costs are amortized on a straight-line basis over 3 years.

When a project is deemed to no longer have commercially viable prospects to the Company, development expenditures in respect of that project are deemed to be impaired. As a result, those development costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

#### Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Amortization of the assets' cost less residual value is recognized over the estimated useful life of assets, based on the following annual rates, except in the year of acquisition, when half the annual rate is applied:

Computer equipment	50% declining balance
Furniture and office equipment	20% declining balance

The estimated useful lives, residual values and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgment; therefore, the resulting amortization is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in the statement of loss and comprehensive loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital. When vested options are forfeited or not exercised at the expiry date the amount previously recognized in share-based payments is revised from reserves to deficit.

The Company also has a restricted share unit ("RSU") plan for certain officers, employees and consultants.

The RSUs granted are equity-settled share-based payments and are measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan. The fair value determined at the grant date is charged to income on a straight line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares, with a corresponding increase in reserves.

As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates. On the vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. Upon settlement of the equity-settled RSUs, if cash is elected, the cash payment shall be accounted for as a repurchase of equity.

**Foreign exchange**

The functional currency of the Company is the currency of the primary economic environment in which the Company operated. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, except for DL Hockey which has a functional currency in US dollars ("USD"). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The Company uses the Canadian dollar functional currency to record transactions in currencies other than the Canadian dollar at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign currency gains or losses resulting in a functional currency other than the presentation currency are realized in other comprehensive income.

**Loss per share**

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**3. SIGNIFICANT ACCOUNTING POLICIES** (*cont'd...*)

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on 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 tax is recorded using the 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. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred 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 statement of financial position date.

A deferred 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 deferred tax asset will be recovered, it does not provide for the excess.

**Impairment of tangible and intangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Financial Instruments**

*Recognition*

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value.

*Classification and measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows are generally measured at amortized cost at each subsequent reporting period. 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** (*cont'd...*)

**Financial Instruments** (*cont'd...*)

After initial recognition at fair value, financial instruments are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

*Derecognition*

Financial assets are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire.

*Impairment*

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

*Financial Instruments Fair Value Disclosures*

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Non-financial assets**

The Company's equipment, software and platform development and goodwill are reviewed for indicators of potential impairment at least annually. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment.

If indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each film and television property is considered to be a CGU.

The recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on present value or other valuation techniques or a combination thereof, requiring management to make subjective judgments and assumptions. When calculating an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that 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 or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

**Revenue recognition**

Revenue is earned primarily from the provision of coaching services and the production of online coaching content for third parties. Revenue from the coaching services is recognized as the service is provided and when the revenue to be received is reliably measurable.

Revenue from the production of online coaching content for third parties is recognized when the following criteria are met: there is a written arrangement with a customer detailing the amount of total contract revenue so that the revenue can be measured reliably, the receipt of payment is probable, and costs incurred and to be incurred can be measured reliably.

The estimate of revenue depends on management's judgment and assumptions regarding expected total costs and revenue and recoverability of expenses. Management also uses judgment in assessing the assurance of collectability.

Cash payments received or receivable are recorded as deferred revenue until all conditions of revenue recognition have been met.

**PROSMART SPORTS ENTERPRISES INC.**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the years ended September 30, 2019 and 2018  
 (Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognized at the date of acquisition. Goodwill is allocated to the cash-generating unit to which it relates.

Goodwill is initially recognized as an asset at a cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortization, but is tested for impairment as part of the software development cash-generating unit.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined by assessing if the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount.

**New standard applied this year**

**IFRS 9 Financial Instruments**

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual years beginning on or after January 1, 2018.

<b><u>Financial Instrument</u></b>	<b><u>IAS 39</u></b>	<b><u>IFRS 9</u></b>
<b>Cash and cash equivalents</b>	Loans and receivables	Amortized cost
<b>Receivables</b>	Loans and receivables	Amortized cost
<b>Accounts payable and accrued liabilities</b>	Other financial liabilities	Amortized cost
<b>Convertible debt</b>	Other financial liabilities	Amortized cost
<b>Short-term loans payable</b>	Other financial liabilities	Amortized cost

IFRS 9 also introduces an expected credit loss impairment model to replace the incurred loss model under IAS 39 and is generally expected to result in earlier recognition of credit losses. The Company has assessed the new requirement and concluded the effect of the change was immaterial, as the Company has historically had very limited actual incurred losses on receivables and expects future losses to remain minimal.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is effective for annual years beginning on or after January 1, 2018.

The Company has elected to apply IFRS 15 on a prospective basis beginning October 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**New standards not yet adopted**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended September 30, 2019:

**IFRS 16 Leases**

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

On adoption of the new standard, the Company will recognize any future lease liabilities at the present value of the remaining lease payments, discounted by the Company's incremental borrowing rate as at that time. The corresponding right of use asset will initially be measured at the amount equal to the lease liability. As at the reporting date, the Company did not have any existing lease contracts and anticipates that there will be no impact on the financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**4. CONSOLIDATION OF DL HOCKEY**

*DL Hockey Consulting Limited ("DL Hockey")*

On May 31, 2018, the Company purchased 100% of the issued and outstanding common shares of DL Hockey through the execution of a share exchange agreement and issuance of 170,620 common shares of the Company at a fair value of \$0.355 per common share for an aggregate cost of \$60,570.

The total purchase price of \$60,570 was allocated to the fair value of the net assets of DL Hockey as follows:

Net assets acquired:	Fair value
Cash	\$ 1,218
Receivables	26,421
Goodwill	163,206
Accounts payable and accrued liabilities	<u>(130,275)</u>
Purchase price	<u>\$ 60,570</u>

Per management's assessment of the fair value of the assets transferred upon the acquisition of DL Hockey, the Company recognized \$163,206 of goodwill related to client lists and established relationships, as well as knowledge and expertise within the marketplace. This acquisition was accounted for as a business combination.

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

**5. SOFTWARE AND PLATFORM DEVELOPMENT**

	Software in Development	Web Platform	Total
<b>Balance at September 30, 2017</b>	\$ 388,000	\$ 1,331,459	\$ 1,719,459
Impairment	(135,799)	(754,216)	(890,015)
<b>Balance at September 30, 2018 and 2019</b>	<b>\$ 252,201</b>	<b>\$ 577,243</b>	<b>\$ 829,444</b>
<b>Accumulated amortization</b>			
<b>Balance at September 30, 2017</b>	\$ 174,600	\$ 133,422	\$ 308,022
Amortization expense	77,600	443,820	521,420
<b>Balance at September 30, 2018 and 2019</b>	<b>\$ 252,200</b>	<b>\$ 577,242</b>	<b>\$ 829,442</b>
<b>Carrying amount</b>			
September 30, 2018	\$ 1	\$ 1	\$ 2
<b>September 30, 2019</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 2</b>

During the year ended September 20, 2018, the Company determined that the software in development and web platform were materially impaired and reduced the carrying value to a nominal amount, recording an impairment of \$135,799 and \$754,216 respectively, for a total of \$890,015.

**6. EQUIPMENT**

	Computer Equipment	Furniture and Office Equipment	Total
<b>Cost</b>			
Balance at September 30, 2017	\$ 4,837	\$ 627	\$ 5,464
Additions	18,993	1,783	20,776
Balance at September 30, 2018	23,830	2,410	26,240
Disposals	(23,830)	(2,410)	(26,240)
<b>Balance at September 30, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Accumulated amortization</b>			
Balance at September 30, 2017	\$ 1,360	\$ 72	\$ 1,432
Amortization expense	7,203	306	7,509
Balance at September 30, 2018	8,563	378	8,941
Amortization expense	4,392	203	4,595
Adjustment	(12,955)	(581)	(13,536)
<b>Balance at September 30, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Carrying amount</b>			
September 30, 2018	\$ 15,267	\$ 2,032	\$ 17,299
<b>September 30, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended September 30, 2019, the Company disposed of its equipment at a cost of \$575 and recorded a loss on disposal of \$13,279 (2018 - \$nil)

**PROSMART SPORTS ENTERPRISES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

**7. GOODWILL**

	PSD	RosterBot	DL Hockey	Total
Balance as at September 30, 2017	\$ 6,296,298	\$ 55,000	\$ -	\$ 6,351,298
Acquired through business combination (Note 4)	-	-	163,206	163,206
Impairment	(6,296,298)	(55,000)	(163,206)	(6,514,504)
<b>Balance as at September 30, 2019 and 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended September 30, 2019, the Company recognized an impairment to goodwill of \$nil (2018 - \$6,514,504).

In prior years, the amortization of software in development created a recovery of deferred tax. During the year ended September 30, 2018, the write down of goodwill associated with Rosterbot has been written down in conjunction with the decline of \$55,000 in the deferred tax liability.

**8. SHORT-TERM LOANS PAYABLE**

As at September 30, 2019, the Company issued a series of unsecured promissory notes accruing interest at 15% per annum. \$8,000 of which was held by related parties and \$15,000 was held by a third party. The notes are due three months after issuance being October 16, 2019 and August 28, 2019 respectively.

As at September 30, 2018, \$150,000 plus \$1,096 of interest was owed to two third-party debt holders through unsecured loans with accrued interest of 10% per annum. These loans were extinguished during fiscal 2019 by way of issuing a convertible debenture (Note 9) as described in the following table:

<b>Balance as at September 30, 2017</b>	<b>\$ 52,326</b>
- accrued interest	1,879
- repayment	(53,109)
- additions	150,000
Balance as at September 30, 2018	\$ 151,096
- accrued interest	1,620
- write off of interest	(1,693)
- assigned to convertible debt issuance (Note 9)	(150,000)
- additions	23,000
<b>Balance as at September 30, 2019</b>	<b>\$ 24,023</b>

**9. CONVERTIBLE DEBT**

On January 8, 2019, the Company issued \$520,000 convertible debentures. The convertible debentures are secured and include the following terms:

- The principal amount of the debenture totals \$693,333, which includes 33.33% added face value, but bear no interest;
- Repayable in full at the earlier of July 8, 2019 and the holder's chosen date to convert debentures into common shares of the Company at a value of \$0.15 per share, and;
- Secured by a general security interest over all the assets of the Company and its subsidiaries.

The liability component of the debentures was initially recorded at \$513,580, representing the fair value of the obligation. The equity component was allocated a value on initial recognition of \$6,420. The difference between the face value of the debentures and the present value of future cash flows net of allocated transaction costs is the equity component of the debentures. The fair value of the liability component was determined based on the present value of the expected futures cash flows from principal and interest.

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

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**9. CONVERTIBLE DEBT** (cont'd...)

During the year ended September 30, 2019, the Company recognized accretion expense of \$6,420 (2018 - \$nil) and interest expense of \$173,333 (2018 - \$nil), as described in the following table:

<b>Balance as at September 30, 2018</b>	\$ -
- issuance for cash	370,000
- issued for repayment of short-term loan	150,000
<hr/>	
Total proceeds received	520,000
- equity component	(6,420)
<hr/>	
Fair value of convertible debenture liability	513,580
- accretion expensed during the year	6,420
- interest expense during the year	173,333
<hr/>	
<b>Balance as at September 30, 2019</b>	<b>\$ 693,333</b>

During fiscal 2019, the Company received a notice of default from the convertible debtholders. Subsequent to September 30, 2019, the Company and the convertible debtholders have agreed to settle the amounts owing (Note 20).

**10. SHARE CAPITAL AND RESERVES**

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

During the year ended September 30, 2019, the Company;

- Agreed to refund a subscriber of the June 25, 2018 private placement \$50,000 of proceeds with the return of 142,857 common shares to treasury and the cancellation of 142,857 warrants at a fair value of \$14,286;
- Issued 177,777 shares at a fair value of \$43,555 which were obligated in fiscal 2018, and;
- Issued 350,373 common shares on conversion of \$124,733 of debt, resulting in a gain on settlement of debt of \$39,262.

During the year ended September 30, 2018, the Company:

- Announced a 4:1 share consolidation of its common shares, warrants, RSU's and outstanding options. All of the schedules within these consolidated financial statements have been adjusted to show the adjustment retrospectively;
- Completed a non-brokered private placement for the sale 6,966,755 units at \$0.35 per unit for total proceeds of \$2,438,365. Each unit consists of one common share and one transferable common share purchase warrant, with each warrant exercisable into one additional share at a price of \$0.45 for a period of two years. The warrants were valued using the residual fair value method at \$657,213. The Company recorded \$51,624 of share issuance costs. The Company also issued 100,000 shares for finders fees at a fair value of \$35,000 recognized as share issuance costs, incurred \$198,090 in other issuance costs and issued 256,050 broker warrants exercisable at \$0.45 per share for a two year period. The Company recorded \$51,624 of share issuance costs;
- Issued 84,885 common shares to settle \$54,159 of debt, resulting in a gain on settlement of debt of \$23,600;
- Agreed with a debt holder to issue share to extinguish \$43,555 of debt for the issuance of 177,777 common shares which were issued in fiscal 2019;
- Purchased 100% of the issued and outstanding common shares of DL Hockey through the execution of a share exchange agreement and issuance of 170,620 common shares of the Company at a fair value of \$0.355 per common share for an aggregate cost of \$60,570 (Note 4);
- Issued 79,625 shares upon the exercise of stock options for proceeds of \$38,220, and;
- Issued 437,500 upon the exercise of RSU's with a value of \$309,050.

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

**10. SHARE CAPITAL AND RESERVES (cont'd...)**

c) Stock options

During fiscal 2018, the Company adopted a rolling stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as defined in the policies of the Toronto Stock Exchange). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire 90 days after termination of employment or holding office as a director or officer of the Company and, in the case of death, expire twelve months thereafter.

Share purchase stock option transactions for the year ended September 30, 2019 are summarized as follows:

	As at September 30, 2019		As at September 30, 2018	
	Number of Options	Weighted Ave. Exercise Price	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of year	1,338,375	\$ 0.73	1,044,625	\$ 0.79
Granted	-	\$ -	443,375	\$ 0.53
Exercised	-	\$ -	(79,625)	\$ 0.48
Expired/Cancelled	(1,238,375)	\$ 0.52	(70,000)	\$ 0.64
Outstanding, end of year	<u>100,000</u>	<u>\$ 0.88</u>	<u>1,338,375</u>	<u>\$ 0.73</u>

As at September 30, 2019, the following stock options are outstanding and exercisable:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining life (yrs)	Expiry
100,000	97,589	\$ 0.88	7.98	September 21, 2027

During the year ended September 30, 2019, the Company recognized stock-based compensation of \$37,268 (2018 - \$298,096) in relation to stock options. The weighted average fair value of options granted was \$nil (2018 - \$0.32) per share.

Subsequent to September 30, 2019, an additional 25,000 stock options were cancelled.

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

Grant Date	Options Granted	Exercise Price	Annual Volatility Rate	Risk Free Interest Rate	Fair Value at Grant Date	Expected Life	Dividend rate
Sep 21, 2017	100,000	\$ 0.88	144%	2.12%	\$ 0.80	10	0%
Aug 8, 2018	345,875	\$ 0.45	132%	2.32%	\$ 0.25	10	0%
Aug 29, 2018	18,750	\$ 0.45	132%	2.32%	\$ 0.24	10	0%

**PROSMART SPORTS ENTERPRISES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

**10. SHARE CAPITAL AND RESERVES (cont'd...)**

c) Restricted share units ("RSU's")

The Company has a restricted share unit plan ("RSU Plan") which allows it to grant RSU's to officers, employees and consultants of the Company. The RSU Plan is administered by the Board of Directors, which sets the terms of incentive awards under the RSU Plan. The maximum number of common shares available for issue under the RSU Plan is 437,500. These grants vest in whole or in part upon the later of a predetermined trigger date or the completion of a performance condition as determined by the Board of Directors of the Company. Upon vesting, each RSU converts to one common share. RSU's which do not vest on or before a set expiry date will automatically be cancelled. The Company, in its sole discretion, may pay a cash amount equal to the equivalent market value of the shares on the vesting date.

On March 8, 2018 and March 14, 2018, the Company granted 125,000 and 150,000 RSU's respectively, vesting upon the completion of defined performance conditions being met. On April 20, 2018, 437,500 common shares were issued upon the exercise of RSU's. Upon exercise of the RSU's, the plan was terminated.

During the year ended September 30, 2019, the Company recognized share-based payments of \$nil (2018 - \$213,313) in relation to the RSU's granted.

d) Warrants

Share purchase warrants for the year ended September 30, 2019 are summarized as follows:

	As at September 30, 2019		As at September 30, 2018	
	Number of Warrants	Weighted Ave. Exercise Price	Number of Warrants	Weighted Ave. Exercise Price
Outstanding, beginning of year	9,826,660	\$ 0.75	3,090,623	\$ 1.49
Granted	-	\$ -	7,222,805	\$ 0.45
Expired/Cancelled	(2,746,712)	\$ 1.54	(486,768)	\$ 0.90
Outstanding, end of year	<u>7,079,948</u>	<u>\$ 0.45</u>	<u>9,826,660</u>	<u>\$ 0.75</u>

As at September 30, 2019, the following were outstanding:

Number of warrants outstanding	Exercise price	Remaining life (yrs)	Expiry
3,946,298	\$ 0.45	0.56	April 20, 2020
2,877,600	\$ 0.45	0.74	June 25, 2020
256,050	\$ 0.45	0.74	June 25, 2020
<u>7,079,948</u>		<u>0.64</u>	

Subsequent to September 30, 2019, all remaining warrants expired, unexercised.

During the year ended September 30, 2019, the Company recognized share issuance costs of \$nil (2018 - \$51,624) on finder's warrants. The fair value of all compensatory finder's warrants granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

Grant Date	Finder's Warrants Granted	Exercise Price	Annual Volatility Rate	Risk Free Interest Rate	Fair Value at Grant Date	Expected Life
June 25, 2018	256,050	\$ 0.45	137%	0.70%	\$ 0.20	2

**PROSMART SPORTS ENTERPRISES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

**10. SHARE CAPITAL AND RESERVES (cont'd...)**

- e) Escrowed shares and warrants

As at September 30, 2019, a total of nil (2018 - 637,071) common shares remaining in escrow.

**11. REVENUE**

Total revenue is derived from the following sources:

	Year Ended	
	September 30, 2019	September 30, 2018
Hockey school revenues	\$ 211,418	\$ 131,494
Content development services	2,180	109,289
Campaign revenue	-	7,500
<b>Total revenue</b>	<b>\$ 213,598</b>	<b>\$ 248,283</b>

**12. GENERAL & ADMINISTRATIVE EXPENSES**

General and administrative expenses consist of the following:

	Year Ended	
	September 30, 2019	September 30, 2018
Advertising/Marketing	\$ -	\$ 61,594
Insurance	18,398	23,567
Licenses	128	35,525
Office expenses and operations	198,835	86,627
Rent and utilities	42,440	149,025
Salaries and wages	316,169	1,035,771
Travel	25,741	279,416
<b>Total</b>	<b>\$ 601,711</b>	<b>\$ 1,671,525</b>

**13. RELATED PARTY TRANSACTIONS**

The remuneration of the key management personnel, comprised of the directors and officers is as follows:

- a) Paid or accrued salaries for the
- CEO of the Company in the amount of \$109,426 (2018 - \$160,00),
  - COO of the Company in the amount of \$64,991 (2018 - \$20,000) and;
  - Former COO of the Company in the amount of \$nil (2018 - \$133,750).
- b) Paid or accrued professional fees of:
- \$67,200 (2018 – \$108,000) to a company of which the CFO of the Company is an owner, and;
  - \$5,541 (2018 – \$47,267) to a law firm of which a former director is a partner;
- c) Paid or accrued share-based payments of \$26,492 (2018 - \$113,424) to directors and officers of the Company.

As at September 30, 2019, \$236,286 (2018 - \$152,319) is due to related parties and former related parties and included in accounts payable and accrued liabilities.

In addition, as at September 30, 2018, 177,777 common shares of the Company valued at \$43,555 was obligated to the COO

**PROSMART SPORTS ENTERPRISES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

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**14. SEGMENTED INFORMATION**

The Company's operations comprise two reportable operating segments, one engaged in technology investment in Canada and the other in coaching services in China. Amounts disclosed in the financial statements for loss and loss per share represent both segments.

The following are the Company's operations and long-term assets between its Canada and China segments:

	<u>China</u>		<u>Canada</u>		<u>Total</u>
Net income/(loss)					
- for the year ended September 30, 2019	\$ 36,421	\$	(967,814)	\$	(931,393)
- for the year ended September 30, 2018	\$ (63,578)	\$	(13,455,660)	\$	(13,519,238)
Long-term assets					
- as at September 30, 2019	\$ -	\$	2	\$	2
- as at September 30, 2018	\$ -	\$	17,301	\$	17,301

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the year ended September 30, 2019 included:

- a) Issuing 350,373 common shares of the Company, valued at \$85,841, on the settlement of \$124,733 of accounts payable;
- b) Assigned \$150,000 from short-term loans to convertible debt;
- c) Share issuance costs of \$45,636 included in account payable, and;
- d) Issuing 177,777 common shares to settle obligation of \$43,555.

Significant non-cash transactions for the year ended September 30, 2018 included:

- a) Issued 100,000 common shares at a fair value of \$35,000 in relation to a non-brokered private placement;
- b) Issued 170,620 common shares of the Company valued at \$60,570 for the acquisition of DL Hockey;
- c) Issued 437,500 common shares upon the exercise of RSU's valued at \$309,050;
- e) Accrued an obligation to issue shares with a value of \$43,555;
- f) Share issuance costs of \$45,636 included in account payable;
- d) Issued 256,050 finder's warrants valued at \$51,624, and;
- e) Issued 84,885 common shares of the Company on the settlement of \$30,559 of accounts payable.

**16. CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its technology investment interests. Capital is comprised of the Company's shareholders' equity (deficiency). The Company manages its capital structure to maximize its financial flexibility, making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities, short-term loans payable and convertible debt approximated their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables mainly consist of Goods and Service Tax receivable from the government of Canada.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a cash and cash equivalents balance of \$14,164 to settle current liabilities of \$2,176,345. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. To maintain liquidity, the Company is currently investigating alternative financing opportunities.

#### *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 Company does not have a practice of trading derivatives.

##### a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at September 30, 2019, the Company did not have any investments in investment-grade short-term deposit certificates.

##### b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies. The Company has minimal financial assets outside of Canada and therefore considers this low risk.

**PROSMART SPORTS ENTERPRISES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

**18. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Loss for the year before taxes	\$ (931,393)	\$ (13,574,238)
Expected income tax (recovery)	\$ (251,000)	\$ (3,665,000)
Impact of future income tax rates applied versus current statutory rate and other	73,000	(603,000)
Permanent differences	132,000	2,522,000
Share issuance costs	(63,000)	(63,000)
Adjustment to prior years provision versus statutory tax return	-	(213,000)
Change in unrecognized deductible temporary differences	109,000	1,967,000
Income tax expenses (recovery)	\$ -	\$ (55,000)
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ 55,000

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada. The tax rate as at September 30, 2019 and 2018 is 27%.

The significant components of the Company's unrecorded deferred tax assets (liabilities) are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Exploration and evaluation assets	\$ 383,000	\$ 383,000
Allowable capital losses	95,000	95,000
Property and equipment	142,000	137,000
Share issue costs	50,000	75,000
Non-capital losses available for future periods	3,881,000	3,752,000
	4,551,000	4,442,000
Unrecognized deferred tax assets	(4,551,000)	(4,442,000)
Net deferred tax liability	\$ -	\$ -

**PROSMART SPORTS ENTERPRISES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018  
(Expressed in Canadian Dollars)

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**18. INCOME TAXES** (cont'd...)

The significant components of the Company's unrecognized deductible temporary differences and tax losses are as follows:

	2019	Expiry date range	2018
Allowable capital losses	\$ 352,000	No expiry date	\$ 352,000
Exploration and evaluation assets	1,395,000	No expiry date	1,395,000
Investment tax credit	9,000	2018 to 2037	9,000
Property and equipment	525,000	No expiry date	507,000
Share issue costs	184,000	2038 to 2041	277,000
Non-capital losses available for future periods	14,962,000	2029-2037	14,470,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**19. COMMITMENTS**

The Company has entered into spokesperson agreements where it was agreed to pay the spokesperson a royalty on income and commissions on increasing user base. As at September 30, 2019, no royalties were paid or accrued for.

**20. SUBSEQUENT EVENT**

Subsequent to September 30, 2019, the Company is closing a Sales Purchase Agreement ("SPA") for sale of the Company's three subsidiaries (DL Hockey, Rosterbot Inc. and ProSmart Sports Development Inc.) and 10% of the issued and outstanding common shares of the Company in exchange for the purchaser assuming all \$693,333 of convertible debenture debt. The closing of the transaction is subject to the Company achieving shareholder approval.

**SCHEDULE "B"**  
**FORM OF RELEASE**

**FORM OF RELEASE BY VENDOR**

**TO:** 1255589 B.C. Ltd.

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**WHEREAS:**

- (A) Pursuant to the provisions of a Share Purchase Agreement dated \_\_\_\_\_, 2020 (the “**Share Purchase Agreement**”) among ProSmart Enterprises Inc. (the “**Vendor**”) and 1255589 B.C. Ltd. (the “**Purchaser**”) regarding ProSmart Sports Developments Inc., Rosterbot Inc., DL Hockey Consulting Limited (collectively the “**Subsidiaries**”), the undersigned has agreed to sell to the Purchaser all the shares of the Subsidiaries that the undersigned owns;
- (B) It is a condition of the completion of the transactions contemplated in the Share Purchase Agreement that this full and final unconditional release (the “**Release**”) be executed and delivered to the Purchaser by the undersigned; and
- (C) All capitalized terms used but not otherwise defined in this release have the meanings assigned thereto in the Share Purchase Agreement.

**THEREFORE**, in consideration of the payment to the undersigned by or on behalf of the Purchaser of the of the consideration specified in the Share Purchase Agreement, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Release.** The undersigned irrevocably releases and forever discharges the Purchaser, the directors, officers, employees, shareholders and representatives of the Purchaser, and each of their respective heirs, executors, administrators, legal representatives, successors and assigns from (i) all claims, actions, causes of action, suits, proceedings and demands of whatsoever nature, character or kind whatsoever sustained in law, or in equity, in contract or tort against the Purchaser, by reason of any cause, act, deed, matter, thing or omission existing up to the date hereof (the “**Release Date**”), (ii) all liabilities, contingent or otherwise, dues, debts, sums of money and accounts of whatsoever nature, character or kind which were, are now or hereafter can, shall or may be owing as of the Release Date by the Purchaser, and (iii) all undertakings, covenants and obligations of the Purchaser, of whatsoever nature, character or kind, which have existed, now exist or hereafter can, shall or may exist in favour of the undersigned as of the Release Date.
2. **Successors and Assigns.** This Release shall endure to the benefit of and be binding upon the undersigned and its successors and permitted assigns.
3. **Governing Law.** This Release shall be governed by and interpreted and enforced in accordance with the laws in force in the Province of British Columbia and the federal laws of Canada applicable therein.
4. **Independent Legal Advice.** The undersigned hereby agrees and acknowledges that it has had full opportunity to consult with legal counsel of its selection in connection with the preparation and negotiation of this Release and the transactions contemplated hereby and documents and agreements entered into connection herewith.

*[Signature page follows]*



**SCHEDULE "C"**

**WRITTEN RESIGNATIONS**

**WRITTEN RESIGNATION**

**TO: Rosterbot Inc.**

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I hereby resign as a Director of Rosterbot Inc. effective immediately.

DATED: \_\_\_\_\_, 2020.

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**NAME: Cale Thomas**

**WRITTEN RESIGNATION**

**TO: Rosterbot Inc.**

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I hereby resign as Chief Financial Officer of Rosterbot Inc. effective immediately.

DATED: \_\_\_\_\_, 2020.

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**NAME: Darren Battersby**

**WRITTEN RESIGNATION**

**TO: ProSmart Sports Development Inc.**

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I hereby resign as a Director of ProSmart Sports Development Inc. effective immediately.

DATED: \_\_\_\_\_, 2020.

\_\_\_\_\_  
**NAME: Cale Thomas**

**WRITTEN RESIGNATION**

**TO: ProSmart Sports Development Inc.**

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I hereby resign as Chief Financial Officer of ProSmart Sports Development Inc. effective immediately.

DATED: \_\_\_\_\_, 2020.

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**NAME: Darren Battersby**

**RESIGNATION AND RELEASE**

TO:           ● [COMPANY EMPLOYED BY]

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1. I, ●[PERSONAL NAME], hereby resign as a ● [POSITION HELD] of [COMPANY EMPLOYED BY]● , effective immediately. In connection with my resignation, and for good and valuable consideration, the receipt and sufficiency of which I hereby acknowledge, I hereby release, remise and forever discharge 1255589 B.C. Ltd., 1243666 B.C. Ltd., ProSmart Enterprises Inc., ProSmart Sports Developments Inc., DL Hockey Consulting Limited, DL Hockey Consulting (Shenzhen) Limited, and Rosterbot Inc. and their respective directors, officers, employees, shareholders, agents, representatives, predecessors, successors and assigns and each of their respective heirs, executors, administrators, legal representatives, successors and assigns (together, the “**Releasees**”) of and from:
  - (a) all manner of actions, causes of action, proceedings, suits, debts, dues, sums of money, claims and demands whatsoever, at law or in equity, that I now have or that I hereafter may have against the Releasees; and
  - (b) all liabilities and obligations that the Releasees now have or hereafter may have to me;by reason of any cause, act, deed, matter, thing or omission relating to my having been a ● [POSITION HELD] of ● [COMPANY EMPLOYED BY] up to the date of my resignation.
2. I represent and warrant that I have not assigned, and will not assign, to any person any right in respect of any of the matters hereby released by me.
3. I declare that I have had the opportunity to seek independent legal advice with respect to the preparation and negotiation of this Release and fully understand this Release.
4. This Release shall bind my heirs, executors, personal legal representatives, successors and assigns.
5. This Release is governed by and will be construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

DATED \_\_\_\_\_, 2020.

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**NAME:**

**SCHEDULE "D"**  
**CERTIFICATE OF SENIOR OFFICER**  
**OF**  
**PROSMART ENTERPRISES INC.**

TO: **1255589 B.C. LTD.**

RE: Reference is made to the share purchase agreement dated \_\_\_\_\_, 2020 the (the "**Share Purchase Agreement**"), between ProSmart Enterprises Inc. (the "**Company**") and 1255589 B.C. Ltd, regarding the sale of ProSmart Sports Developments Inc., DL Hockey Consulting Limited, and Rosterbot Inc.

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Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Share Purchase Agreement.

Pursuant to section 4.1(1)(vii) of the Share Purchase Agreement, I, Zelong He, being the Chief Executive Officer and director of the Company, do hereby certify, as CEO and director of the Company and not in my personal capacity, that:

1. I am a duly appointed officer and director of the Company and as such am familiar with the matters referred to herein and have conducted such inquiries and verified such facts as I have considered necessary for the purposes of this Officer's Certificate;
2. The Company is a validly existing corporation incorporated pursuant to the *Business Corporations Act* (British Columbia) and is in good standing under the laws of all jurisdictions where the Company carries on business or has assets, to the extent that the nature of such business or assets under the laws of said jurisdiction requires registration or qualification, as attached hereto as Appendix 1.
3. Attached hereto as Appendix 2 is a true and correct copy of all of the constating documents of the Company as of the date hereof. No steps or proceedings have been taken or are pending to supersede, cancel, surrender or amend such documents as of the date hereof.
4. Attached hereto as Appendix 3 is a true and correct copy of the resolutions of the board of directors and shareholders of the Vendor authorizing the execution, delivery and performance of this Agreement, the issuance of the ProSmart Shares, and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Vendor; and
5. Attached hereto as Appendix 4 is the incumbency and signatures of the officers of the Vendor executing this Agreement and any other document relating to the Transactions

**[The remainder of this page is intentionally left blank.]**

**DATED** the \_\_\_\_ day of August, 2020.

*"Zelong He"*

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**Zelong He**  
**Chief Executive Officer**

**SCHEDULE "E"**

**FORM OF VENDOR'S BRING-DOWN CERTIFICATE**

**VENDOR BRING-DOWN CERTIFICATE**

**TO: 1255589 B.C. LTD.**

(the “**Purchaser**”)

**RE:** Share purchase agreement dated as of \_\_\_\_\_, 2020, between the Purchaser and ProSmart Enterprises Inc., (the “**Vendor**”), whereby the Purchaser has agreed to buy all the shares of ProSmart Sports Developments Inc., DL Hockey Consulting Limited and Rosterbot Inc. (collectively the “**Subsidiaries**”), owned by the Vendor (the “**Purchase Agreement**”).

---

**IN CONSIDERATION OF** and notwithstanding the completion of the transaction contemplated in the Purchase Agreement, and for other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Vendor does hereby certify that all representations and warranties of the Vendor contained in Sections 5.1 and 5.2 of the Purchase Agreement are true and accurate as of the Closing Date in all material respects, except for representations and warranties that contain a materiality qualification, which are true and accurate in all respects (except as contemplated or permitted by this Agreement and except as those representations and warranties may be affected by events or transactions: (i) resulting from the entering of this Agreement; (ii) that would not have a Material Adverse Effect and arise in the Ordinary Course of the Business; or (iii) approved in writing by the Purchaser Ltd.

The Vendor does hereby certify that as of the Closing Date, all obligations and covenants required by the Purchase Agreement to be performed or complied with by the Vendor on or prior to the Closing Date have been performed or complied by the Vendor on or prior to the Closing Date.

Capitalized terms used in this certificate but not defined herein shall have the respective meanings given to them in the Purchase Agreement.

This Certificate is delivered pursuant to Section 4.1(1)(k)(vii)(3) of the Purchase Agreement.

*~Signature Page Follows~*



**SCHEDULE "F"**

**FORM OF PURCHASER BRING-DOWN CERTIFICATE**

**PURCHASER BRING-DOWN CERTIFICATE**

**TO: ProSmart Enterprises Inc.**

**(the “Vendor”)**

**RE:** Share Purchase Agreement dated as of \_\_\_\_\_, 2020, between the Vendor and 1255589 B.C. Ltd.. (the “**Purchaser**”), whereby the Purchaser has agreed to buy all the shares of ProSmart Sports Developments Inc., DL Hockey Consulting Limited and Rosterbot Inc., (collectively the “**Subsidiaries**”), owned by the Vendor (the “**Purchase Agreement**”).

---

**IN CONSIDERSTION OF** and notwithstanding the completion of the transaction contemplated in the Purchase Agreement, and for other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Purchaser does hereby certify that all representations and warranties of the Purchaser contained in Section 5.3 of the Purchase Agreement are true and accurate as of the Closing Date in all material respects, except for representations and warranties that contain a materiality qualification, which are true and accurate in all respects, and except to the extent that any representation or warranty is affected by the occurrence of events or transactions expressly contemplated and permitted by the Purchase Agreement, or otherwise consented to in writing by the Vendor.

The Purchaser does hereby certify that as of the Closing Date, all obligations and covenants required by the Purchase Agreement to be performed or complied with by the Purchaser on or prior to the Closing Date have been performed or complied by the Purchaser on or prior to the Closing Date.

Capitalized terms used in this certificate but not defined herein shall have the respective meanings given to them in the Purchase Agreement.

This Certificate is delivered pursuant to Section 4.2(1)(h)(iii) of the Purchase Agreement.

*[Signature Page Follows]*

DATED \_\_\_\_\_, 2020.

**1255589 B.C. LTD.**

Per:

*"1255589 B.C. LTD. "*

Name:

Title:

I/We have the authority to bind the corporation.

**SCHEDULE "G"**  
**DISCLOSURE LETTER**

\_\_\_\_\_, 2020

**PRIVATE AND CONFIDENTIAL**

**1255589 B.C. Ltd.**

Dear Sirs/Mesdames:

**Re: Share Purchase Agreement dated \_\_\_\_\_, 2020 among 1255589 B.C. Ltd. and ProSmart Enterprises Inc. – Disclosure Letter**

This letter constitutes the Company's Disclosure Letter referred to and defined in the Share Purchase Agreement (the "**Agreement**") between 1255589 B.C. Ltd. (the "**Purchaser**") and ProSmart Enterprises Inc. (the "**Company**") regarding the sale of the subsidiaries of the Company, ProSmart Sports Developments Inc., DL Hockey Consulting Limited, and Rosterbot Inc. (the "**Subsidiaries**").

The purpose of this Disclosure Letter is to disclose to the Purchaser a true, accurate and complete list of all applicable standards and specifications or other sources of the technology, licenses, registrations or applications for registration of the Intellectual Property pertaining to any Intellectual Property that is now owned by the Subsidiaries but used in the conduct of the Business, pursuant to section 5.2(6) of the Agreement. This Disclosure Letter constitutes an integral part of the Agreement.

There are no applicable standards or specifications or other sources of the technology, licenses, registrations or applications for registration of the Intellectual Property pertaining to any Intellectual Property that is not owned by the Subsidiaries but used in the conduct of the Business.

There is no Intellectual Property being used by the Subsidiaries or being used in the conduct of the Business by the Subsidiaries that is being used pursuant to consent or license.

There are no royalties or fees that are required to be paid by the Subsidiaries to any other Person in respect of the use of any of the Intellectual Property.

There are no restrictions on the ability of the Subsidiaries or any successor to, or assignee from, the Subsidiaries to use and exploit all rights in the Intellectual Property.

No item in this Disclosure Letter relating to any possible breach or violation of any agreement, law or regulation shall be construed as an admission or indication that any such breach or violation exists or has actually occurred, and nothing in this Disclosure Letter constitutes an admission of any liability or obligation of the Company to any third party or shall confer or give to any third party any remedy, claim, liability, reimbursement, cause of action or other right.

All capitalized terms used in this Disclosure Letter shall have the meanings attributed thereto in the Agreement, unless otherwise stated. This Disclosure Letter shall be governed by and construed in all respects in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

*[Remainder of page left intentionally blank. Signature page follows.]*



Yours truly,

**PROSMART ENTERPRISES INC**

Per: "Zelong He"  
Name:  
Title:

We hereby acknowledge receipt and accept the contents of this letter this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

**1255589 B.C. Ltd.** \_\_\_\_\_

Per: "1255589 B.C. LTD. "  
Name:  
Title: