

Financial Statements of:

POCML 5 INC.

(a Capital Pool Corporation)

Financial Statements

(in Canadian Dollars)

For the Year Ended December 31, 2019

*With comparatives from the date of incorporation (February 21, 2018)
to December 31, 2018.*

Independent Auditor's Report

To the Shareholders of POCML 5 Inc.:

Opinion

We have audited the financial statements of POCML 5 Inc. (the "Corporation") which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2019 and for the period from February 21, 2018 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from February 21, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

MNP LLP

Toronto, Ontario
April 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

MNP

POCML 5 INC.

(a Capital Pool Corporation)

Statements of Financial Position

(in Canadian Dollars)

| <u>As at</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 495,485 | \$ 530,463 |
| Interest receivable | - | 294 |
| Total current assets | 495,485 | 530,757 |
| Liabilities | | |
| Current | | |
| Accounts payable & accrued liabilities | 5,889 | 29,952 |
| Shareholders' equity | | |
| Share capital (note 3) | 545,404 | 545,404 |
| Contributed surplus | 82,290 | 82,290 |
| Accumulated deficit | (138,098) | (126,889) |
| Total shareholders' equity | 489,596 | 500,805 |
| Total Liabilities and shareholders' equity | \$ 495,485 | \$ 530,757 |

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

Approved on Behalf of the Board:

"David D'Onofrio" (signed)

David D'Onofrio
Director

"Adam Parsons" (signed)

Adam Parsons
Director

POCML 5 INC.

(a Capital Pool Corporation)

Statements of Loss and Comprehensive Loss

(in Canadian Dollars)

| | Year Ended December 31, 2019 | Period from the date of incorporation (Feb 21, 2018) to December 31, 2018 |
|---|------------------------------------|--|
| Expenses | | |
| Operating, general and administrative | \$ 11,853 | \$ 13,862 |
| Professional fees | 7,401 | 38,152 |
| Stock bases compensation (Note 4) | - | 74,875 |
| Loss for the year/period | 19,254 | 126,889 |
| Interest Income | (8,045) | - |
| Total comprehensive loss | \$ 11,209 | \$ 126,889 |
| Net loss per common share | | |
| Basic and diluted | \$ 0.01 | \$ 0.95 |
| Weighted average number of common shares outstanding | | |
| Basic and diluted | 2,000,000 | 134,185 |

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

POCML 5 INC.

(a Capital Pool Corporation)

Statements of Changes in Shareholders' Equity

(in Canadian Dollars)

For the Year Ended December 31, 2019

| | Number of Shares | Share Capital | Contributed Surplus | Accumulated Deficit | Total Equity |
|-------------------------------------|---------------------|-----------------------|------------------------|------------------------|-------------------|
| Balance at February 21, 2018 | - | - | - | - | - |
| Issuance of common share (Note 3) | 10,000,000 | 600,000 | | | 600,000 |
| Share issuance costs | | (54,956) | 7,415 | | (47,181) |
| Stock based compensation | | | 74,875 | | 74,875 |
| Net loss for period | - | - | - | (126,889) | (126,889) |
| Balance at December 31, 2018 | 10,000,000 | 545,404 | 82,290 | (126,889) | 500,805 |
| Net loss for year | - | - | - | (11,209) | (11,209) |
| Balance at December 31, 2019 | 10,000,000 | \$ 545,404 | \$ 82,290 | \$ (138,098) | \$ 489,596 |

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

POCML 5 INC.

(a Capital Pool Corporation)

Statements of Cash Flows

(in Canadian Dollars)

For the Year Ended December 31, 2019

| | Year ended December 31, 2019 | Period from the date of incorporation (Feb 21, 2018) to December 31, 2018 |
|--|---------------------------------|--|
| Cash flows used in operating activities: | | |
| Loss for the year/period | \$ (11,209) | \$ (126,889) |
| Adjustments for: | | |
| Stock based compensation | - | 74,875 |
| Changes in non-cash working capital: | | |
| Interest Receivable | 294 | (294) |
| Accrued Liabilities | (24,063) | 29,952 |
| Financing Activities: | | |
| Issuance of common shares | - | 600,000 |
| Share issuance costs | - | (47,181) |
| Net change in cash and cash equivalents | (34,978) | 530,463 |
| Cash and cash equivalents, beginning of year/period | 530,463 | - |
| Cash and cash equivalents, end of year/period | \$ 495,485 | 530,463 |

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

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

1. INCORPORATION AND NATURE OF BUSINESS

POCML 5 Inc. (the "Corporation") was incorporated under the Ontario Business Corporation Act on February 21, 2018 and is classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange").

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's-length transaction, of the majority of the minority shareholders.

The head office and the registered head office of the Corporation is located at 130 King Street West, Suite 2210, Toronto, Ontario M5X 1E4.

On April 28, 2020, the Board of Directors approved the financial statements for the year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Loss Per Share

Basic loss per common share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares in escrow. Diluted loss per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding. 8,000,000 common shares were excluded from the calculation as they were contingently issuable and all conditions necessary for their issuance have not been satisfied (note 3).

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

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

The Company has implemented the following classifications:

Cash and cash equivalents are classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash and cash equivalents are a level 1 financial instrument measured at fair value on the statements of financial position.

Stock-based Compensation

The Corporation accounts for all stock-based compensation awarded to directors and officers and non-employees using the fair value method. Under this method, cost is measured at the grant date at fair value using the Black-Scholes options pricing model that takes into account the exercise price, the expected life of the option, the current price of the underlying stock, the expected volatility, the expected dividends and the risk-free interest rate for the expected term of the option. The compensation cost will be expensed in the statement of operations over the service period, that is the vesting period for directors and officers and over the performance period for awards provided to non-employees in exchange for goods and services.

Share Issuance Costs

Share issuance costs relate to expenditures incurred in connection with the Corporation's share issuance (note 3) and are charged against share capital.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash held in financial institutions and funds held in a money market fund.

3. SHARE CAPITAL

Authorized

Unlimited number of common shares
Unlimited number of special shares

Issued

| | Number of Shares | | Amount |
|---|-------------------------|-----------|----------------|
| Issuance of common shares | 10,000,000 | \$ | 600,000 |
| Share issuance costs | - | | (54,596) |
| Balance at December 31, 2018 and December 31, 2019 | 10,000,000 | \$ | 545,404 |

Escrowed Shares

On August 30, 2018, the Corporation issued 8,000,000 common shares at \$0.05 per share for total proceeds of \$400,000.

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

3. SHARE CAPITAL (continued)

The issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange. 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

Initial Public Offering

On December 10, 2018, the Corporation completed its initial public offering (the "Offering") of 2,000,000 common shares at a purchase price of \$0.10 per common share for aggregate gross proceeds of \$200,000. The Corporation paid cash share issuance costs of \$47,181 and granted the 140,000 compensation warrants to purchase common shares for \$0.10 for a period ending twenty-four months from the date the Corporation's common shares are listed on the TSX Venture Exchange.

Contributed Surplus

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are nontransferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire one year thereafter.

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

3. SHARE CAPITAL (continued)

The following table reflects the continuity of stock options and warrants:

| | Number of stock options and compensation warrants | Weighted average exercise price (\$) |
|--|--|---|
| February 21, 2018 | - | - |
| Granted compensation warrants (i) | 140,000 | \$0.10 |
| Granted to directors and officers (ii) | 1,000,000 | \$0.10 |
| Balance, December 31, 2018 and 2019 | 1,140,000 | \$0.10 |

- i. On December 10, 2018, the Corporation granted 140,000 compensation warrants to the Agent, which are exercisable at an exercise price of \$0.10 per share for a period of 24 months following the date that the common shares are listed on the Exchange. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price \$0.10, dividend yield 0%, risk-free interest rate of 1.860%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$7,415.
- ii. On December 10, 2018, the Corporation granted 1,000,000 options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price \$0.10, dividend yield 0%, risk-free interest rate of 1.880%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$74,875. The options vested immediately.

The following table reflects the actual options and warrants issued and outstanding as of December 31, 2018:

| Expiry Date | Exercise Price | Weighted Average Remaining Contractual Life (years) | Number of Options and Warrants Outstanding | Number of Options and Warrants Vested (Exercisable) |
|-------------------|----------------|---|---|--|
| December 10, 2020 | \$0.10 | 1.95 | 140,000 | 140,000 |
| December 10, 2023 | \$0.10 | 4.95 | 1,000,000 | 1,000,000 |
| | \$0.10 | 4.58 | 1,140,000 | 1,140,000 |

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

4. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Capital management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

Risk disclosures and fair values

The Corporation's financial instruments, consisting of cash and cash equivalents, and accounts payable and accrued liabilities which approximate fair value due to the relatively short term maturities of these instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

6. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

There were no related party transactions during the nine months ended December 31, 2019, (2018 - \$74,875).

POCML 5 INC.

Notes to Financial Statements
(a Capital Pool Corporation)
For Year Ended December 31, 2019

7. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% and the Corporation's effective income tax expense is as follows:

| | 2019 | 2018 |
|-------------------------------------|------------------|-------------------|
| Net loss for the year/period | \$ 11,209 | \$ 126,889 |
| Expected income tax recovery | (2,970) | (33,626) |
| Non-deductible | - | 19,842 |
| Share issuance costs | - | (12,503) |
| Deferred tax assets not recognized | 2,970 | 26,287 |
| Income taxes recovery | \$ - | \$ - |

At December 31, 2019, the Corporation has non – capital losses for income tax purposes of approximately \$20,625 and \$56,732 which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income until 2039 and 2038.

The Corporation has not recorded deferred tax assets related to these unused carry forward losses as it is not probable that future taxable profits will be available against which these can be deducted.

8. SUBSEQUENT EVENTS

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had significant impact on businesses through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, it is possible that this outbreak may cause a difficulties in searching for a Qualifying Transaction, which could negatively impact the Company's business and financial condition.