
GULFSTREAM ACQUISTION 1 CORP.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

(EXPRESSED IN CANADIAN DOLLARS)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Gulfstream Acquisition 1 Corp.

We have audited the accompanying financial statements of Gulfstream Acquisition 1 Corp. which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive loss, cash flows and changes in equity for the years ended December 31, 2016 and 2015, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gulfstream Acquisition 1 Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Gulfstream Acquisition 1 Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 20, 2017

GULFSTREAM ACQUISITION 1 CORP.**STATEMENTS OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016 AND 2015**(Expressed in Canadian dollars)

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 267,012	\$ 305,990
	<hr/> \$ 267,012	<hr/> \$ 305,990
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 63,801	\$ 22,505
EQUITY		
SHARE CAPITAL (Note 4)	387,574	387,574
CONTRIBUTED SURPLUS	61,632	61,632
DEFICIT	(245,995)	(165,721)
	<hr/> 203,211	<hr/> 283,485
	<hr/> \$ 267,012	<hr/> \$ 305,990

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Notes 1 and 2)

Approved on behalf of the Board:

"Mark Attanasio"

Director

"Charles Shin"

Director

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

GULFSTREAM ACQUISITION 1 CORP.**STATEMENTS OF COMPREHENSIVE LOSS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**(Expressed in Canadian dollars)

	2016	2015
EXPENSES		
Accounting	\$ 13,355	\$ 10,161
Legal fees	2,028	11,618
Listing and regulatory	9,422	10,615
Project investigation costs (Note 8)	55,470	-
NET LOSS AND COMPREHENSIVE LOSS	\$ (80,274)	\$ (32,394)
LOSS PER SHARE – BASIC AND DILUTED	\$ (0.01)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	5,852,265	6,807,333

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

GULFSTREAM ACQUISITION 1 CORP.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**(Expressed in Canadian dollars)

	2016	2015
OPERATING ACTIVITIES		
Net loss for the year	\$ (80,274)	\$ (32,394)
Changes in non-cash working capital item:		
Accounts payable and accrued liabilities	41,296	7,409
Cash used in operating activities	(38,978)	(24,985)
FINANCING ACTIVITIES		
Shares issued for cash	-	10,516
Cash provided by financing activities	-	10,516
DECREASE IN CASH	(38,978)	(14,469)
CASH, BEGINNING OF YEAR	305,990	320,459
CASH, END OF YEAR	\$ 267,012	\$ 305,990
SUPPLEMENTAL INFORMATION		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

GULFSTREAM ACQUISITION 1 CORP.**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**(Expressed in Canadian dollars)

	Number of Common Shares Issued	Amount of Common Shares Issued	Contributed Surplus	Deficit	Total
Balance, December 31, 2014	6,750,000	\$ 349,232	\$ 89,458	\$ (133,327)	\$ 305,363
Shares issued for exercise of warrants	105,159	38,342	(27,826)	-	10,516
Comprehensive loss for the year	-	-	-	(32,394)	(32,394)
Balance, December 31, 2015	6,855,159	387,574	61,632	(165,721)	283,485
Shares cancelled	(2,100,000)	-	-	-	-
Comprehensive loss for the year	-	-	-	(80,274)	(80,274)
Balance, December 31, 2016	4,755,159	\$ 387,574	\$ 61,632	\$ (245,995)	\$ 203,211

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

GULFSTREAM ACQUISITION 1 CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian dollars)

1. NATURE OF BUSINESS

Gulfstream Acquisition 1 Corp. (the "Company") was incorporated on June 8, 2012 under the Ontario Business Corporations Act. The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4 and accordingly, its planned principal activity is to use its capital to investigate and acquire a business or group of assets (the "Qualifying Transaction"). The address of the Company's principal place of business and registered office is Suite 701 - 130 Adelaide Street, Toronto, Ontario, Canada M5H 2K4.

2. BASIS OF PREPARATION AND CONTINUING OPERATIONS

Statement of Compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Approval of the Financial Statements

The financial statements of the Company for the year ended December 31, 2016 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 20, 2017.

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 3.

The functional and presentation currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note

Going Concern

As at December 31, 2016, the Company had no business operations and its only significant asset was cash. The Company reported a net loss of \$80,274 for the year ended December 31, 2016 and has accumulated losses of \$245,995 since inception.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of, or participation in, a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities (the "Qualifying Transaction"). Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to identify, evaluate and negotiate an acquisition, participate in or invest in an interest in a Qualifying Transaction, and obtain additional financing. The Company has not identified a business or asset that warrants acquisition or participation within twenty-four months from the date the Company's shares were listed for trading, and as a result the Exchange may suspend or de-list the Company's shares from trading. These factors create a material uncertainty that raises significant doubt upon the Company's ability to continue as a going concern.

GULFSTREAM ACQUISITION 1 CORP.
NOTES TO FINANCIAL STATEMENTS
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(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

a) Significant Accounting Estimates and Judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of share-based compensation and the recognition of deferred income tax assets. Actual results could differ from these estimates.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next year. Significant areas requiring critical accounting judgements include the Company's ability to carry on as a going concern.

b) Income Taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

c) Loss Per Share

Basic loss per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

d) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Share-based Compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of equity settled stock options awarded to employees defined under IFRS 2 Share-based payments (i.e. employees for legal and tax purpose, directors and certain consultants), determined as of the date of grant, and awarded to non-employees defined under IFRS 2, as of the date of delivery of service, is recognized as share-based compensation expense, included in general and administrative expenses in the statement of comprehensive loss, over the vesting period of the stock options based on the estimated number of options expected to vest, with a corresponding increase to equity.

f) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise of cash and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

Financial assets - The Company has classified its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

Financial liabilities - The Company has classified its accounts payable as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

g) Changes in Accounting Policies

There were no new or revised accounting standards scheduled for mandatory adoption on January 1, 2016, and thus no new standards were adopted in 2016.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) New Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company intends to adopt these standards when they become effective.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers – In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

IFRS 9 Financial Instruments – In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 16 Leases - IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 2 Shared-Based Payments - In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

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4. SHARE CAPITAL

a) Authorized: Unlimited number of common shares without par value.

b) Issued and outstanding:

On June 15, 2015 the Company issued 105,159 common shares at \$0.10 per share for total proceeds of \$10,516 pursuant to an exercise of warrants.

c) Escrow shares

The Company had 2,100,000 shares held in escrow at December 31, 2016 (2015 – 4,200,000). 10% of the escrowed shares will be released from escrow upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

On July 18, 2016, the Company cancelled 2,100,000 common shares that were being held in escrow. The cancellation of the 2,100,000 common shares was approved by the shareholders on July 10, 2015.

d) Stock options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in their discretion, and in accordance with the requirements of the TSX Venture Exchange (the "Exchange"), grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options will be exercisable for a period of up to 5 years from the date of grant, and must comply with the rules of the Exchange.

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4. SHARE CAPITAL (continued)

d) Stock options (continued)

Stock option transactions during the years ended December 31, 2016 and 2015 are summarized as follows:

	Number of options	Weighted average exercise price
Balance at December 31, 2014 and 2013	675,000	\$0.10
Cancelled	(199,485)	0.10
Balance at December 31, 2016 and 2015	475,515	\$0.10

On July 18, 2016, the Company reduced the total number of stock options granted to 475,515 to comply with policies of the TSX-V Exchange as a result of the cancellation of 2,100,000 common shares held in escrow.

The following table summarizes stock options outstanding and exercisable at December 31, 2016:

Exercise price \$	Number of options	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
0.10	475,515	1.45	0.10	475,515	0.10

Any common shares acquired pursuant to the exercise of options prior to completion of a Qualifying Transaction must be deposited into escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

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4. SHARE CAPITAL (continued)

e) Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at December 31, 2014 and 2013	250,000	\$0.10
Exercised	(105,159)	0.10
Expired	(144,841)	0.10
Balance at December 31, 2016 and 2015	-	-

There were no warrants outstanding at December 31, 2016.

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the identification, evaluation and acquisition of a Qualified Transaction. The Company does not have any externally imposed capital requirements to which it is subject.

The Company's capital structure consists of shareholders equity. As at December 31, 2016, the Company had capital resources consisting mainly of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

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6. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2016	2015
Combined statutory tax rate	26%	26%
Income tax recovery at combined statutory rate	\$ (20,871)	\$ (8,422)
Tax benefits not recognized	20,871	8,422
<u>Deferred income tax expense</u>	<u>\$ -</u>	<u>\$ -</u>

Significant components of the Company's deferred income tax assets are shown below:

	2016	2015
Non-capital loss carry forwards	\$ 68,355	\$ 45,040
Share issuance costs	2,444	4,888
Tax benefits not recognized	(70,799)	(49,928)
<u>Net deferred income tax assets</u>	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2016, the Company had approximately \$263,000 in non-capital loss carry forward available to reduce taxable income for future years. The non-capital losses expire accordingly:

2032	\$ 15,000
2033	70,000
2034	46,000
2035	42,000
2036	90,000
	<u>\$ 263,000</u>

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and accounts payable. The carrying value of these financial instruments approximates their fair values due to their immediate or short-term maturity. The following table summarizes the carrying values of the Company's financial instruments:

	2016
FVTPL (i)	\$ 267,012
<u>Other financial liabilities (ii)</u>	<u>63,801</u>
(i) Cash	
(ii) Accounts payable	

GULFSTREAM ACQUISITION 1 CORP.
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7. FINANCIAL INSTRUMENTS (continued)

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 - Inputs that are not based on observable market data

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	267,012	-	-	267,012

i) Credit risk

Credit risk is the risk of financial loss to the Company if counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its cash with a large Canadian chartered bank. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's cash.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. The Company does not have any interest bearing financial instruments.

iii) Currency risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

iv) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term expenditures for the identification, evaluation and acquisition of a Qualified Transaction by raising additional funds through share issuance when required.

The Company does not have investments in any asset backed deposits. The Company does not have any contractual financial liabilities as at December 31, 2016.

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8. PROPOSED QUALIFYING TRANSACTION

Blue Goose Capital Corp.

On February 17, 2016, the Company signed a non-binding letter of intent with Blue Goose Capital Corp. ("Blue Goose") which outlined a proposed transaction that would result in the Company acquiring all of the issued and outstanding shares of Blue Goose. The proposed transaction was expected to constitute the Company's Qualifying Transaction pursuant to Policy 2.4 – Capital Pool Companies of the TSX Venture Exchange.

On June 22, 2016, the Company terminated the letter of intent with Blue Goose.

All costs related to the proposed transaction, including due diligence were expensed when incurred as project investigation costs. Project investigation costs consist of:

	2016
Consulting and advisory fees	\$ 33,900
Travel and promotion	<u>21,570</u>
Total project investigation costs	<u>\$ 55,470</u>

9. SUBSEQUENT EVENTS

On January 18, 2017, the Board of Directors approved for the Company to enter into subscription agreements to which certain purchasers will agree to purchase, on a non-brokered, private placement basis pursuant to exemptions from the prospectus requirements under applicable securities laws, an aggregate of up to 3,000,000 common shares of the Corporation (the "Common Shares") at a price of \$0.10 for total gross proceeds of \$300,000 (the "Private Placement").

The Corporation is not paying broker or finder's fee in connection with the Private Placement. The Corporation intends to use the net proceeds from the Private Placement for working capital and general corporate purposes. The completion of the Private Placement is subject to the approval of the NEX on such terms as the NEX may require.