



Liberty Defense Holdings, Ltd.

Interim Condensed Consolidated Financial Statements
Three and Nine Months Ended September 30, 2020
(unaudited, expressed in U.S. dollars)

Liberty Defense Holdings, Ltd.

Interim Condensed Consolidated Statement of Financial Position

(unaudited, expressed in U.S. dollars)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	141,523	578,765
Receivables & prepaids (note 3)	36,688	119,161
	<u>178,211</u>	<u>697,926</u>
Property & equipment (note 4)	300,448	430,743
Intangible asset	127,156	120,884
Total assets	<u>605,815</u>	<u>1,249,553</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	316,886	730,191
Lease liabilities (note 6)	148,488	136,686
Borrowings (note 7)	1,933,503	-
	<u>2,398,877</u>	<u>866,877</u>
Non-current lease liabilities (note 6)	120,056	235,010
Borrowings (note 7)	29,987	
Total liabilities	<u>2,548,920</u>	<u>1,101,887</u>
Shareholders' equity		
Common shares (note 8)	10,342,881	10,342,881
Contributed surplus	4,221,972	4,267,832
Accumulated other comprehensive losses ("AOCL")	(101,235)	(64,322)
Deficit	(16,406,723)	(14,398,725)
Total equity	<u>(1,943,105)</u>	<u>147,666</u>
Total liabilities and equity	<u>605,815</u>	<u>1,249,553</u>

Nature of operations and going concern (note 1)

"Aman Bhardwaj"

Director

"John McCoach"

Director

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

Liberty Defense Holdings, Ltd.

Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

(unaudited, expressed in U.S. dollars)

Expenses	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Brand & Market Awareness				
Legal fees	-	-	1,229	-
Marketing	61	245,086	3,225	744,795
Other costs	-	10,000	-	10,206
Salaries & consulting fees	1	15,337	19,647	60,226
Stock-based compensation	(15,590)	84,984	(35,379)	219,472
Travel and miscellaneous	-	33,063	-	111,782
	(15,528)	388,470	(11,278)	1,146,481
Research and Development				
Depreciation	33,430	32,729	100,290	94,654
Legal fees	8,027	18,107	51,140	57,717
Other costs	21,330	51,912	56,795	140,640
Salaries & consulting fees	306,612	966,483	1,077,447	2,377,909
Stock-based compensation	(8,738)	90,329	(28,878)	311,927
Technology costs	21,875	369,295	180,002	962,316
Travel and miscellaneous	784	15,479	3,734	46,044
	383,320	1,544,334	1,440,530	3,991,207
General and Administrative				
Depreciation	7,598	8,106	22,859	16,726
Foreign exchange loss	(7,247)	(3,364)	(7,080)	54
Interest on Investment	-	(9,078)	-	(24,511)
Legal fees	7,856	41,217	106,006	120,350
Marketing and investor relations	449	238,047	5,419	783,528
Other costs	59,986	21,643	139,253	85,986
RTO transaction costs	-	-	-	2,230,108
Salaries & consulting fees	23,829	199,510	292,353	664,002
Stock-based compensation	(11,385)	95,773	19,865	446,322
Travel and miscellaneous	-	30,709	71	74,500
	81,086	622,563	578,746	4,397,065
Loss for the period	448,878	2,555,367	2,007,998	9,534,753
Foreign currency translation adjustment	25,204	33,184	36,913	(147,796)
Loss and comprehensive loss for the period	474,082	2,588,551	2,044,911	9,386,957
Basic and diluted loss per share (\$ per share)	0.01	0.04	0.03	0.15
Weighted average shares outstanding (000's)	66,550	66,550	66,550	61,874

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

Liberty Defense Holdings, Ltd.

Interim Condensed Consolidated Statement of Shareholders' Equity

(unaudited, expressed in U.S. dollars)

	Common shares		Contributed surplus	AOCL	Deficit	Total
	Number of Shares	Amount				
Balance at January 1, 2019	51,311,525	4,277,990	2,462,334	(227,955)	(2,778,392)	3,733,977
Lease accounting adjustment	-	-	-	-	(33,213)	(33,213)
Issue of subscription receipts	-	-	4,505,236	-	-	4,505,236
Share issuance	13,438,196	5,607,088	(3,391,553)	-	-	2,215,535
Issue of advisor warrants	1,800,000	457,803	(457,803)	-	-	-
Share based compensation	-	-	976,185	-	-	976,185
Foreign currency translation adjustment	-	-	-	147,796	-	147,796
Loss for the period	-	-	-	-	(9,534,753)	(9,534,753)
Balance at September 30, 2019	66,549,721	10,342,881	4,094,399	(80,159)	(12,346,358)	2,010,763

	Common shares		Contributed surplus	AOCL	Deficit	Total
	Number of Shares	Amount				
Balance at January 1, 2020	66,549,721	10,342,881	4,267,832	(64,322)	(14,398,725)	147,666
Share based compensation	-	-	(45,860)	-	-	(45,860)
Foreign currency translation adjustment	-	-	-	(36,913)	-	(36,913)
Loss for the period	-	-	-	-	(2,007,998)	(2,007,998)
Balance at September 30, 2020	66,549,721	10,342,881	4,221,972	(101,235)	(16,406,723)	(1,943,105)

Liberty Defense Holdings, Ltd.

Interim Condensed Consolidated Statement of Cash Flows

(unaudited, expressed in U.S. dollars)

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Cash flows from operating activities				
Loss for the period	(448,877)	(2,555,367)	(2,007,998)	(9,534,753)
Items not affecting cash				
Depreciation	40,272	40,835	123,149	111,380
Interest expense	43,863	8,597	90,639	25,770
RTO transaction costs	-	-	-	2,215,534
Stock based compensation	(34,982)	271,086	(44,392)	977,721
	(399,724)	(2,234,849)	(1,838,602)	(6,204,348)
Change in non-cash operating working capital				
Decrease / (increase) in receivables and prepaid expenses	1,523	503,698	82,473	(108,119)
(Decrease) / increase in accounts payable and accrued liabilities	(35,722)	(177,662)	(481,042)	9,502
	(433,923)	(1,908,813)	(2,237,171)	(6,302,965)
Cash flows from financing activities				
Proceeds from borrowings	209,052	-	1,961,823	-
Share issuance (net of share issuance)	-	(29,723)	-	4,503,701
Principal elements of lease repayment (note 6)	(34,268)	(30,323)	(100,556)	(80,998)
Interest elements of lease repayment (note 6)	(5,844)	(8,597)	(19,575)	(25,770)
	168,940	(68,643)	1,841,692	4,396,933
Cash flows from investing activities				
Payments for property & equipment	-	(10,864)	-	(36,415)
Payments for intangible assets	(1,007)	-	(6,272)	-
	(1,007)	(10,864)	(6,272)	(36,415)
Exchange rate differences on cash and cash equivalents	(5,190)	(38,591)	(35,491)	147,796
(Decrease) / Increase in cash and cash equivalents	(271,181)	(2,026,911)	(437,242)	(1,794,651)
Cash and cash equivalents - beginning of period	412,703	3,896,657	578,765	3,664,397
Cash and cash equivalents - end of period	141,523	1,869,746	141,523	1,869,746

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

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

1 Nature of operations and going concern

Liberty Defense Holdings Ltd. (the “Company” or “Liberty”), is a public company (TSXV: SCAN, Frankfurt: L2D, OTC: LDDFF), that was incorporated under the Business Corporation Act of Ontario on June 8, 2012. The Company undertook a reverse takeover (“RTO”) transaction with Liberty Defense Holdings Inc. (“LPC”) on April 3, 2019 and subsequently renamed itself from Gulfstream Acquisition 1 Corp., to Liberty. The Company, through its wholly owned subsidiary Liberty Defense Technologies Inc. (“LDT”), is principally engaged in the commercialization of an active 3D imaging technology system, HEXWAVE, to detect concealed threats. The Company’s corporate office is located at Suite 1030, 200 Granville St, Vancouver, British Columbia, Canada, V6C 1S4 and its registered and records office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, ON M5L 1B9.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. For the nine-month period ended September 30, 2020, the Company reported a \$2,007,998 loss and cash outflows from operating activities of \$2,237,171.

As at September 30, 2020, the Company had a negative working capital of \$2,220,666. Current liabilities include \$1,527,333 relating to DrawDown Detection Inc. (“DrawDown”) borrowings and \$406,170 relating to the Paycheck Protection Program loan (“PPP loan”), (note 7). In order to fully commercialize HEXWAVE the Company will require additional funds to achieve its development timeline and bring HEXWAVE to market. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. The Company has multiple development milestones and committed license fees (note 12) over the next twelve months and based on the Company’s current forecasted operational and development spend, the Company will require additional funds to meet these milestones and pay the committed license fees. There can be no assurance that the Company will be successful in obtaining this additional financing. These conditions give rise to material uncertainties that may cast significant doubt on the validity of the going concern assumption.

To mitigate this challenge, the Company, on December 31, 2019, announced the implementation of a strategic review and subsequently the Company entered into an amalgamation agreement (the “Agreement”) with DrawDown on April 2, 2020, whereby it will acquire all the issued and outstanding securities of DrawDown (the “Transaction”). The Agreement provided for an initial loan of \$2 million (\$1.5 million advanced as of September 30, 2020) and the intention for Liberty to acquire 100% of Drawdown, which would constitute a reverse-takeover of Liberty. Alongside this reverse-takeover, a concurrent financing is planned such that sufficient cash is raised to provide working capital for a minimum of 12 months from the transaction date for the combined entities. The Company’s ability to continue as a going concern is dependent upon raising additional funding through financing such as the reverse-takeover / concurrent financing as described above or through other arrangements.

These interim condensed consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all the information required for full annual financial statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 30, 2020.

The accounting policies adopted are consistent with those of the previous financial year.

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

3 Receivables & prepaids

As of September 30, 2020, the Company had \$1,878 (December 31, 2019: \$70,591) in receivables and \$34,810 (December 31, 2019: \$48,570) in prepaids.

4 Property & equipment

\$	Leasehold Improvements	Equipment	Right of Use Asset	Total
Cost				
At December 31, 2019	23,878	96,867	496,444	617,189
Additions	-	-	-	-
Disposals	-	(5,191)	-	(5,191)
Exchange differences	-	(575)	(4,002)	(4,577)
At September 30, 2020	23,878	91,101	492,442	607,421
Accumulated Depreciation				
At December 31, 2019	8,230	29,794	148,422	186,446
Depreciation for the period	5,730	20,292	97,439	123,461
Disposals	-	(2,144)	-	(2,144)
Exchange differences	-	(199)	(591)	(790)
At September 30, 2020	13,960	47,743	245,270	306,973
Net Book Value				
At December 31, 2019	15,648	67,073	348,022	430,743
At September 30, 2020	9,918	43,358	247,172	300,448

5 Accounts payable and accrued liabilities

As of September 30, 2020, the Company had \$130,878 (December 31, 2019: \$356,372) in accounts payables and \$186,008 (December 31, 2019: \$373,819) in accruals.

6 Leases

Lease liabilities	2020
\$	
Maturity analysis - contractual undiscounted cash flows	
Less than one year	175,039
One to five years	148,230
Total undiscounted lease liabilities at September 30, 2020	323,269
Lease liabilities included in the statement of financial position at September 30, 2020	268,544
Current	148,488
Non-current	120,056
Amounts recognized in profit or loss	
Interest on lease liabilities	19,575

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

The Company incurred variable lease payments relating to its lease for the period ended September 30, 2020 amounting to \$15,199.

7 Borrowings

I. DrawDown

The Company entered into the Agreement with DrawDown on April 2nd, 2020. The Agreement provides for a maximum loan of \$2 million bearing 12% interest per annum and upon completion of the merger to provide a minimum of 12 months funding. As of September 30, 2020, the Company has received \$1.5 million in total funding from DrawDown and is payable within a 6-month period should the proposed agreement (note 13) be terminated. As at September 30, 2020, the Company has accrued \$92,154 in interest on the loan. The loan issued by DrawDown is secured by all shares held by the Company including all of its subsidiaries and provides for an unlimited guarantee from the Company and its subsidiaries in favor of DrawDown. The significant covenants per the loan agreement include not substantially changing the nature of the Company's operations and to not have greater than \$300,000 in outstanding financial liabilities with the exception of the Loan and transactions fees with Laurentian Bank Securities Inc. As at September 30, 2020 Liberty has exceeded \$300,000 in outstanding financial liabilities however has received written confirmation from DrawDown's management stating "that it is not the intention of DrawDown to terminate or exercise any of its rights under the loan agreement and/or the amalgamation agreement due to covenants being breached in connection to the amount of the liabilities recorded as at September 30, 2020."

II. PPP loan

The Company, through its wholly owned subsidiary LDT, filed for a Paycheck Protection Program Loan ("PPP Loan") under the Coronavirus Aid, Relief, and Economic Security Act and received \$406,170 on May 4, 2020. The PPP Loan has a 1% fixed interest rate per annum and a deferment period of 6 months for which the Company has accrued a total of \$1,658 in interest as of September 30, 2020. The entire loan can be forgiven through the loan forgiveness process if the Company uses at least 60% of loan proceeds for eligible payroll costs and at least 40% eligible non-payroll costs. The company plans to utilize all funds received on required eligible payroll and eligible non payroll costs and therefore expects to receive forgiveness for the entire amount. As of September 30, 2020, the Company has not yet applied for loan forgiveness and therefore has recognized the entire amount of \$406,170 as part of the short-term loan.

III. Canada Emergency Business Account ("CEBA") loan

The Company received CA\$40,000 Canada Emergency Business Account Loan ("CEBA Loan") on May 5, 2020 which currently carries a 0% interest rate per annum, however, increases to 5% per annum starting on January 1, 2023. The Company plans to utilize the funds received from both loans to help fund payroll, rent, and utilities under the appropriate guidelines in the loan agreements. The CEBA loan is an extendible revolving facility convertible to a reducing term facility on December 31, 2020 ("Conversion Date"). Any unutilized portion of the revolving facility will be cancelled on the Conversion Date and will be reduced to the aggregate amount borrowed. If the Company pays 75% of the aggregate amount advanced to the revolving facility on or before December 31, 2022 ("Term Period"), the remaining 25% of the amount advanced will be forgiven. If the loan is not repaid in full on or before the Term Period, it may be extended from January 1, 2023 to December 31, 2025 ("Extension Period").

8 Common shares

Authorized

The Company has an unlimited number of authorized common shares without par value.

Issued

The issued and outstanding share capital for the period ended September 30, 2020 was 66,549,721.

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

9 Stock options and warrants

Options

	September 30, 2020	
	Number of options	Weighted average exercise price CA\$
Outstanding – January 1 2020	4,738,334	0.80
Forfeited	(974,335)	0.80
Expired	(1,489,333)	0.80
Outstanding – September 30 2020	2,264,666	0.80

The exercise price for all outstanding options is CA\$0.80 and there were 1,841,329 stock options exercisable as at September 30, 2020. The weighted average remaining contractual life of outstanding stock options at September 30, 2020 was 3.59 years.

Warrants

The Company has issued warrants for both common shares and units (comprising one common share and one further common share warrant). As of September 30, 2020, the Company had 19,733,055 common share warrants and 796,022 unit warrants for a total of 21,325,099 dilutive securities.

As of September 30, 2020, the Company had the following warrants for common shares outstanding:

Warrants – common shares

	September 30, 2020	
	Number of warrants	Weighted average exercise price CA\$
Outstanding – January 1 2020	19,733,055	1.07
Exercised	-	-
Outstanding – September 30 2020	19,733,055	1.07

The exercise price for all outstanding warrants for common shares is between CA\$0.80 and CA\$1.10 and there were 19,733,055 warrants for common shares exercisable as at September 30, 2020. The weighted average remaining contractual life of outstanding warrants for common shares at September 30, 2020 was 0.38 years.

The Board of Advisor warrants for common shares are exercisable into one common share at an exercise price of CA\$0.80 for a period of three years. The rest of the outstanding warrants for common shares are exercisable at CA\$1.10 for a period of two years were issued subject to an accelerated exercise clause whereby if the daily volume-weighted average trading price for any 10 consecutive trading days is greater than CA\$2.00 per share, the Company may provide written notice to accelerate the expiry date of the warrants to 30 days after providing such notice.

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

9 Stock options and warrants (continued)

As of September 30, 2020, the Company had the following warrants for units outstanding:

Warrants – units

	Number of warrants	September 30, 2020
		Weighted average exercise price CA\$
Outstanding – January 1 2020	796,022	0.80
Issued	-	-
Exercised	-	-
Outstanding – September 30 2020	796,022	0.80

The exercise price for all outstanding warrants for units is CA\$0.80 and there were 796,022 warrants for units exercisable as at September 30, 2020. The weighted average remaining contractual life of outstanding warrants for units at September 30, 2020 was 0.34 years.

Each broker unit warrant entitles the holder to acquire one unit of the Company representing one common share and a further share purchase warrant for CA\$0.80 for a period of 2 years. Each share purchase warrant is exercisable at CA\$1.10 per common share for a period of 2 years, subject to an accelerated exercise clause whereby if the daily volume-weighted average trading price for any 10 consecutive trading days is greater than CA \$2.00 per share, the Company may provide written notice to accelerate the expiry date of the warrants to 30 days after providing such notice.

10 Related party transactions

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. Liberty's former CEO and CFO agreed to terminate their employment effective April 30, 2020. A severance package was therefore paid out in May 2020 totalling approximately \$121,000.

\$	Three months ending		Nine months ending	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Short-term employee benefits	54,630	201,218	418,657	745,599
Share-based payments	17,701	188,179	95,874	441,603
Total key management personnel	72,331	389,397	514,531	1,187,202

11 Financial instruments

As at September 30, 2020, the Company's financial instruments comprise cash and cash equivalents, receivables, and accounts payable and accrued liabilities, none of which are valued at fair value. The fair values of receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

12 Commitments

The Company has commitments relating to the Patent Agreement with MIT. In June 2020, the Company paid \$50,000 in license maintenance fees and has agreed to the following license maintenance fees thereafter:

\$	2021	2022	2023	Annually Thereafter
License maintenance fees	60,000	100,000	200,000	350,000

These license maintenance fees are period costs associated with maintaining the intellectual property acquired from MIT and are therefore expensed during each period. The Patent Agreement also requires payment of a 5.7% net sales royalty on the active imaging technology that will be included in the Company's HEXWAVE product. Under the agreement, the Company can offset any of the maintenance fees it has paid against future royalty payments.

13 Subsequent events

I. DrawDown – Proposed Transaction

The Company entered into an amalgamation agreement (the "Agreement") with DrawDown on April 2, 2020, whereby it will acquire all the issued and outstanding securities of DrawDown (the "Transaction"). Upon completion, the Transaction will constitute an arm's length reverse takeover of the Company by DrawDown. The Company is expected to resume trading on the exchange under the name "Liberty Defense Holdings, Ltd." or such other name as the parties may reasonably agree upon and as is acceptable to the TSX Venture Exchange ("Exchange") and the corporate registrar. The Transaction is subject to a number of terms and conditions as set forth in the Agreement, including (among other things) the approval of the Exchange.

In advance of the Transaction, Liberty will complete a consolidation of all its issued and outstanding common shares on a 6.2 old for one new basis (the "Liberty Consolidation"). Furthermore, DrawDown will also complete a share consolidation of two old for one new basis (the "DrawDown Consolidation") prior to or concurrently with the completion of the Transaction.

Pursuant to the Agreement, the parties will complete a three-cornered amalgamation whereby 1246043 B.C. Ltd. ("Liberty Subco"), a wholly-owned subsidiary of Liberty, will amalgamate with DrawDown, and the Company will acquire all of the issued and outstanding common shares in the capital of DrawDown and all of the securities of DrawDown convertible into common shares of DrawDown. The amalgamated corporation resulting from the amalgamation of Liberty Subco and DrawDown will be wholly-owned by the Company. All of the outstanding common shares of DrawDown will be exchanged for common shares of Liberty on a one for one basis, post Liberty Consolidation. In addition, all of the outstanding convertible securities of DrawDown will, in accordance with their terms, cease to represent a right to acquire DrawDown common shares and will instead provide the right to acquire Liberty common shares on a one for one basis post Liberty Consolidation and on the same economic terms and conditions.

As a result of the share exchange described above, the former shareholders of DrawDown will acquire control of the Liberty. Accordingly, the acquisition constitutes a capital restructuring of Liberty and is accounted with the net assets of Liberty recorded at fair value at the date of acquisition.

Liberty Defense Holdings, Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

I. DrawDown – Proposed Transaction (continued)

Liberty had previously engaged Laurentian Bank Securities Inc. (“Laurentian”) as its exclusive financial advisor and, upon completion of the Transaction, has agreed to pay Laurentian CA\$50,000 cash and issue Laurentian 596,323 Liberty common shares on a post-consolidation basis. Upon completion of the Transaction, the Company will carry on the combined businesses currently conducted by Liberty and DrawDown. It is anticipated that trading of the Company’s shares will remain halted pending the satisfaction of the conditions of the Exchange for resumption of trading. It is unlikely that trading in the common shares of Liberty will resume prior to the completion of the Transaction. On closing of the Transaction, the Company is expected to resume trading on the Exchange under the symbol “SCAN”.

On November 13, 2020, the Company filled its filing statement on SEDAR which describes the Company’s proposed Transaction. The Company also received conditional approval from the Exchange to complete the Transaction, subject to the completion of certain other filings, including final approval from the Exchange. The Company will be seeking shareholder approval of the Transaction by written consent. DrawDown shareholders approved the Transaction at a special meeting held on August 19, 2020.

II. Subscription receipt offering

On October 26, 2020, the Company entered into an engagement letter (the “Engagement Letter”) with Canaccord Genuity Corp. (the “Agent”), who has agreed to act as Agent for and on behalf of the Company, on a commercially reasonable “best efforts” agency basis, in connection with a proposed offering of subscription receipts of the Company (each, a “Subscription Receipt”) to raise gross proceeds of up to CA\$5,000,000 (the “Offering”). The Offering is being conducted as a closing condition of the Transaction. The Company and DrawDown have extended the deadline for completion of the Transaction to January 31, 2021.

The Offering will consist of up to 16,666,666 Subscription Receipts at a price of CA\$0.30 per Subscription Receipt (on a post-consolidation basis) (the “Offering Price”), subject to disinterested shareholder approval. Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action on the part of the holder, one unit of the Company (each a “Unit” and collectively the “Units”), upon receipt by the escrow agent, on or before January 31, 2021 (the “Deadline”) of a release notice from the Company, and acknowledged by the Agent, confirming that: (a) all of the conditions precedent to the closing of the Transaction have been satisfied or waived to the satisfaction of the Company and DrawDown, and as acknowledged by the Agent, (b) except as consented to in writing by the Agent, no material provision of the Amalgamation Agreement (the “Amalgamation Agreement”) has been amended by the parties thereto, (c) the Agency Agreement has not been terminated, and (d) neither the Company nor DrawDown is in material breach or default of the Agency Agreement (the “Release Notice”).

Each Unit will consist of one common share on a post-consolidation basis (each, a “Unit Share”) and one half of one share purchase warrant (each whole warrant, a “Warrant”). Each Warrant shall entitle the holder thereof to purchase one common share on a post-consolidation basis (each, a “Warrant Share”) at a price of CA\$0.50 for 24 months from closing date of the Offering (the “Closing Date”).