

**SOFTLAB9 SOFTWARE SOLUTIONS INC.**  
**(formerly APPX Group Holdings Inc.)**

**Condensed Consolidated Interim Financial Statements**  
**Nine Month Ended September 30, 2019**

*(Expressed in Canadian dollars)*

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Softlab9 Software Solutions Inc. (formerly "APPx Group Holdings Inc.") (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the nine months ended September 30, 2019 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian dollars.

**SoftLab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Condensed Consolidated Interim Statements of Financial Position**  
*(Expressed in Canadian dollars)*

	September 30, 2019 \$	December 31, 2018 \$
	(unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	31	59,074
Amounts receivable	132,358	158,150
Prepaid expenses and deposits	7,350	116,685
Loan receivable	—	20,165
<b>TOTAL CURRENT ASSETS</b>	<b>139,739</b>	<b>354,074</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment (Note 6)	65,992	101,014
<b>TOTAL ASSETS</b>	<b>205,731</b>	<b>455,088</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 11)	595,163	471,621
Loans payable (Note 12)	125,000	—
<b>TOTAL LIABILITIES</b>	<b>720,163</b>	<b>471,621</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Share capital	5,387,455	5,083,726
Share-based payment reserve	868,834	294,931
Deficit	(6,698,463)	(5,322,951)
<b>TOTAL SOFTLAB9 SOFTWARE SOLUTIONS INC. SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>(442,174)</b>	<b>55,706</b>
Non-controlling interest	(72,258)	(72,239)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(514,432)</b>	<b>(16,533)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>205,731</b>	<b>455,088</b>

Nature of operations (Note 1)  
Commitment (Note 13)  
Subsequent events (Note 17)

Approved and authorized for issuance on behalf of the Board of Directors on November 29, 2019:

/s/ "Rahim Mohamed"  
Rahim Mohamed, Director

/s/ "Derrick Lewis"  
Derrick Lewis, Director

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

**SoftLab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
*(Expressed in Canadian dollars)*  
*(unaudited)*

	Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
<b>REVENUE</b>	–	33	–	44
<b>EXPENSES</b>				
Advertising and marketing fees (Note 11)	–	57,831	60,380	134,792
Amortization (Note 5 and 6)	11,674	3,936	35,022	8,196
Consulting and management fees (Note 11)	114,550	86,552	419,669	181,240
General and administrative (Note 11)	10,736	177,560	143,013	261,329
Professional fees	4,148	107,709	37,380	229,535
Research and development costs (Note 11)	–	174,958	62,507	361,453
Share-based compensation (Note 10)	–	–	580,515	–
Transfer agent and filing fees	8,662	4,477	33,400	33,340
Travel	–	6,238	3,645	25,787
<b>TOTAL EXPENSES</b>	<b>149,770</b>	<b>619,261</b>	<b>1,375,531</b>	<b>1,235,672</b>
<b>LOSS BEFORE OTHER INCOME (EXPENSE)</b>	<b>(149,770)</b>	<b>(619,228)</b>	<b>(1,375,531)</b>	<b>(1,235,628)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Forgiveness of related party debt (Note 11)	–	–	–	275,180
Foreign exchange	–	–	–	(2,182)
Write-down of assets held for sale	–	–	–	(1,260,962)
Impairment of goodwill	–	–	–	(33,589)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>(149,770)</b>	<b>(619,228)</b>	<b>(1,375,531)</b>	<b>(2,257,181)</b>
Less: net loss attributable to the non-controlling interest	–	6,797	19	17,093
<b>NET INCOME (LOSS) ATTRIBUTABLE TO SOFTLAB9 SOFTWARE SOLUTIONS INC.</b>	<b>(149,770)</b>	<b>(612,431)</b>	<b>(1,375,512)</b>	<b>(2,240,088)</b>
Income (Loss) per share attributed to Softlab9 Software Solutions Inc., basic and diluted	(0.03)	(0.12)	(0.27)	(0.73)
Weighted average number of common shares outstanding	5,021,563	4,955,778	5,190,089	3,049,787

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

**SoftLab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
*(Expressed in Canadian dollars)*  
*(unaudited)*

	Number of common shares	Share capital \$	Special warrants \$	Warrant reserve \$	Share- based payment reserve \$	Deficit \$	Non- controlling interest \$	Total \$
Balance, December 31, 2017	6	150	–	–	–	(272,040)	–	(271,890)
Shares issued for share exchange agreement	3,763,191	2,146,667	–	–	–	–	11,262	2,157,929
Shares issued as finder's fees for acquisition	144,872	282,500	–	–	–	–	–	282,500
Special warrants issued for cash	–	–	1,930,000	–	–	–	–	1,930,000
Special warrants issuance costs	5,128	10,000	(217,358)	–	–	–	–	(207,358)
Conversion of special warrants	1,374,923	1,930,000	(1,930,000)	–	–	–	–	–
Conversion of special warrants issue costs	–	(349,941)	349,941	–	–	–	–	–
Finder's warrants issued	–	–	(132,583)	132,583	–	–	–	–
Net loss for the period	–	–	–	–	–	(2,240,088)	(17,093)	(2,257,181)
Balance, September 30, 2018	5,288,120	4,019,376	–	132,583	–	(2,512,128)	(5,831)	1,634,000
Shares issued pursuant to warrant exercises	94,923	317,683	–	(132,583)	–	–	–	185,100
Shares issued for services	17,094	46,667	–	–	–	–	–	46,667
Shares issued for share exchange agreement	256,410	700,000	–	–	–	–	–	700,000
Share based payments	–	–	–	–	294,931	–	–	294,931
Net loss for the period	–	–	–	–	–	(2,810,823)	(66,408)	(2,877,231)
Balance, December 31, 2018	5,656,547	5,083,726	–	–	294,931	(5,322,951)	(72,239)	(16,533)
Shares issued for services	19,231	27,500	–	–	–	–	–	27,500
Shares issued pursuant to option exercises	15,385	18,612	–	–	(6,612)	–	–	12,000
Voluntary cancellation of common shares	(1,550,342)	–	–	–	–	–	–	–
Shares for debt	2,862,411	257,617	–	–	–	–	–	257,617
Share based payments	–	–	–	–	580,515	–	–	580,515
Net loss for the period	–	–	–	–	–	(1,225,742)	(19)	(1,225,761)
Balance, September 30, 2019	7,003,232	5,387,455	–	–	868,834	(6,698,693)	(72,258)	(622,279)

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

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**September 30, 2019**

(Expressed in Canadian dollars)  
(unaudited)

	Nine Months Ended September 30, 2019 \$	Nine Months Ended September 30, 2018 \$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	(1,375,531)	(2,257,181)
Items not involving cash:		
Amortization	35,022	8,196
Shares for debt	257,617	–
Forgiveness of related party debt	–	(275,180)
Impairment of goodwill	–	1,260,962
Write-down of assets held for sale	–	33,589
Shares issued for services	27,500	–
Share-based compensation	580,515	–
Change in non-cash working capital items:		
Amounts receivable	45,957	(82,699)
Prepaid expenses	109,335	(35,060)
Accounts payable and accrued liabilities	123,542	(9,857)
<b>Net cash used in operating activities</b>	<b>(196,043)</b>	<b>(1,357,231)</b>
<b>INVESTING ACTIVITY</b>		
Cash acquired on acquisition	–	806,319
Purchase of equipment	–	(429,952)
<b>Net cash provided by investing activity</b>	<b>–</b>	<b>376,366</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of special warrants	–	1,930,000
Special warrants issuance costs	–	(207,358)
Repayment of loan payable	–	(15,000)
Proceeds from exercise of stock options	12,000	–
Proceeds from loans	125,000	–
<b>Net cash provided by financing activities</b>	<b>137,000</b>	<b>1,707,642</b>
Change in cash	(59,043)	726,778
Cash, beginning of period	59,074	–
<b>Cash, end of period</b>	<b>31</b>	<b>726,778</b>
<b>Non-cash investing and financing activities:</b>		
Fair value of exercised stock options	6,612	–
Share purchase warrants issued as finder's fees	–	132,583
Reclassification of intangible assets to assets held for sale	–	408,589
Conversion of special warrants	–	1,580,059
Shares issued pursuant to reverse takeover transaction	–	2,146,667
Shares issued for finder's fee	–	10,000

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**September 30, 2019**

*(Expressed in Canadian dollars)*  
*(unaudited)*

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

Softlab9 Software Solutions Inc. (formerly Appx Group Holdings Inc.) (the “Company”) is a private start-up technology incubator, specializing in launching, acquiring and vertically integrating technology companies. The Company incubates multiple mobile technologies internally while providing engineering, capital, executive management and strategic development services. The Company’s head office is located at Suite 605, 815 Hornby Street, Vancouver, B.C., V6Z 2E6.

The Company was incorporated as CDN BVentures Ltd. on October 30, 2014 under the Business Corporations Act (British Columbia) as a wholly-owned subsidiary of a reporting issuer, Web Watcher Systems Ltd. (“Web Watcher”). On December 9, 2014, Web Watcher entered into an arrangement agreement (the “Arrangement Agreement”) with the Company. Under the terms of the Arrangement Agreement, Web Watcher was to complete a plan of arrangement which would divest Web Watcher of the asset consisting of a letter of intent, which would be divested to the Company for consideration of 73,859 common shares of the Company. Web Watcher received shareholder approval for the Arrangement Agreement at an annual general and special meeting of shareholders held on January 29, 2015 and received final approval to the Arrangement Agreement from the Supreme Court of British Columbia on February 5, 2015. The Arrangement Agreement was completed on October 24, 2017.

On October 26, 2017, the Company completed a share exchange agreement (the “Transaction”) with APPx Technologies Inc. (formerly Appature Technologies Inc.) (“ATI”). ATI was incorporated on December 31, 2007 under the laws of the province of British Columbia, Canada.

On March 2, 2018, the Company completed a share exchange agreement (the “Transaction”) with RewardDrop Software Inc. (“RSI”) was incorporated was incorporated under the Canada Business Corporation Act as a private company on August 22, 2017.

Under the terms of the Transaction, the Company issued 2,564,103 common shares in exchange for 150 of issued and outstanding shares of RewardDrop Software Inc., which represents 100% ownership of RSI. As a result of the Transaction, the shareholders of RSI own 68.2% of APPX. Refer to Note 4.

These condensed consolidated interim financial statements have been prepared on the assumption the Company will continue as a going concern. As at September 30, 2019, the Company has a working capital deficit of \$580,424, minimal revenue, negative cash flows from operations, and an accumulated deficit of \$6,698,463. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These factors indicate existence of a material uncertainty that may cast doubt on the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

**2. BASIS OF PRESENTATION**

**(a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company 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. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the fiscal period ended December 31, 2018.

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**

**Notes to the Condensed Consolidated Interim Financial Statements**

**September 30, 2019**

*(Expressed in Canadian dollars)*

*(unaudited)*

**2. BASIS OF PRESENTATION (continued)**

(b) Basis of Presentation (continued)

These condensed consolidated interim financial statements include the accounts of the Company and its 90.56% owned subsidiary, ATI and ATI's wholly owned subsidiary, APPx Technologies Inc. (AB) and wholly owned subsidiaries, RewardDrop Software Inc. and Santos Torres Ltd. (inactive). All significant inter-company balances and transactions have been eliminated on consolidation.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars, which is the Company's functional and reporting currency.

(c) Significant Accounting Judgments and Estimates

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that effect the amounts reported in the consolidated financial statements and notes thereto. Actual amounts could differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. The impact of changes to estimates are recognized in the year estimates are revised and may impact future periods.

*Critical Accounting Judgments:*

Categories of Financial Instruments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy, which involves judgments or assessments made by management.

Going Concern Assumption

Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

*Critical Accounting Estimates:*

Unrecognized Deferred Income Tax Assets

Unrecognized deferred income tax assets are made using the best estimate of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.



**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**September 30, 2019**

(Expressed in Canadian dollars)  
(unaudited)

**2. BASIS OF PRESENTATION** (continued)

(c) Significant Accounting Judgments and Estimates (continued)

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Company is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

Fair Values of Share-based Compensation

The Company is required to recognize at the acquisition date the fair values of share-based compensation for assets acquired based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable and which involves estimates.

Useful Life of Equipment and Intangible Assets

Equipment and intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate on the useful life of the equipment and intangible assets. The Company reviews its estimate of the useful life of depreciable assets at each reporting date.

Recoverability of Intangible Assets

The Company assesses the carrying values of its intangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of the assets cannot be recovered, the unrecoverable amounts are charged against net loss. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production, and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, future cash flows and profit margins. A material change in assumptions may significantly impact the potential impairment of these assets.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal period ended December 31, 2018.

**4. ACQUISITION OF REWARDDROP SOFTWARE INC.**

On March 2, 2018, the Company completed the Transaction with RSI. Upon closing of the Transaction, the former shareholders of RSI owned 68.2% of the combined entity, APPx's board of directors and senior management were reconstituted and consist of the directors and senior management of RSI. Given the majority ownership of the common shares of the Company and the representation on the Company's Board of Directors and senior management are held by the former shareholders of RSI, RSI has the power to govern the financial and operating policies so as to obtain benefits from the activities of the Company. The Transaction constitutes a reverse acquisition where RSI is considered the accounting acquirer of APPX.

The acquisition is constituted a reverse takeover ("RTO") under IFRS 3, *Business Combinations* by RSI for the net assets of the APPX, as a result of reverse acquisition accounting, these consolidated financial statements represent a continuation of RSI's financial statements and the acquisition of the Company.

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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(Expressed in Canadian dollars)  
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**4. ACQUISITION OF REWARDDROP SOFTWARE INC. (continued)**

The fair value of the 70 common shares of the Company that were deemed to have been issued and retained by the former shareholders of the Company was \$2,146,667 which was determined based on the fair value of RSI as determined by a third-party valuator on the date of the Transaction as follows:

	\$
Fair value of RSI, at date of acquisition	4,600,000
Number of shares issued and outstanding of RSI, at date of acquisition	150
Per share value of RSI, at date of acquisition	30,667
Number of RSI shares issued to former shareholders of APPX	70
Fair value of RSI shares issued to former shareholders of APPX	2,146,667

The fair value of all consideration given up to acquire APPX is as follows:

	\$
Fair value of RSI shares issued to former shareholders of APPX	2,146,667
Finders shares – 144,872 shares at \$1.95 per share	282,500
Fair value of RSI shares issued to former shareholders of APPX	2,429,167
Plus: Non-controlling interest held in APPX	11,262
Fair value of consideration given up to acquire APPX	2,440,429
Less fair value of identifiable assets and liabilities of APPX acquired:	
Cash	806,319
Amounts receivable	10,107
Prepaid expenses	88,200
Intangible assets	411,487
Loan receivable	23,396
Accounts payable and accrued liabilities	(145,042)
Loan payable	(15,000)
Net assets acquired	1,179,467
Goodwill on acquisition	1,260,962

During the year ended December 31, 2018, the Company recognized a \$1,260,962 impairment of goodwill due to the uncertainty of future cash flows.

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**

**Notes to the Condensed Consolidated Interim Financial Statements**

**September 30, 2019**

(Expressed in Canadian dollars)

(unaudited)

**5. INTANGIBLE ASSETS**

	SweetrLife Application \$	Tinderama Application \$	SWIPE Application \$	PRIDE Application \$	Total \$
Cost:					
Balance, August 22, 2017 (date of incorporation) and December 31, 2017	–	–	–	–	–
Additions	183,707	100,000	77,780	50,000	411,487
Impairment	(180,809)	(100,000)	(77,780)	(50,000)	(408,589)
Balance, December 31, 2018 and September 30, 2019	2,898	–	–	–	2,898
Accumulated amortization:					
Balance, August 22, 2017 (date of incorporation) and December 31, 2017	–	–	–	–	–
Additions	2,898	–	–	–	2,898
Balance, December 31, 2018 and September 30, 2019	2,898	–	–	–	2,898
Carrying amounts:					
As at December 31, 2018	–	–	–	–	–
As at September 30, 2019	–	–	–	–	–

During the year ended December 31, 2018, the Company recorded an impairment on intangible assets of \$408,589 due to the uncertainty of future of cash flows.

**6. PROPERTY AND EQUIPMENT**

	Crypto Mining Equipment \$	Computer Equipment \$	Furniture and Equipment \$	Leasehold Improvements \$	Total \$
Cost:					
Balance, August 22, 2017 (date of incorporation) and December 31, 2017	–	–	–	–	–
Additions	318,512	70,545	41,416	16,386	446,859
Impairment	(318,512)	–	–	–	(318,512)
Balance, December 31, 2018 and September 30, 2019	–	70,545	41,416	16,386	128,347

As at December 31, 2018, the Company recognized an impairment of \$318,512 for its crypto currency mining equipment due to the uncertainty of future cash flows.

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)****Notes to the Condensed Consolidated Interim Financial Statements****September 30, 2019***(Expressed in Canadian dollars)**(unaudited)***6. PROPERTY AND EQUIPMENT (continued)**

	Crypto Mining Equipment \$	Computer Equipment \$	Furniture and Equipment \$	Leasehold Improvements \$	Total \$
Accumulated amortization:					
Balance, December 31, 2018	–	18,744	4,810	3,779	27,333
Additions		26,454	6,213	2,355	35,022
Balance, September 30, 2019	–	45,198	11,023	6,134	62,355
Carrying amounts:					
As at December 31, 2018	–	51,801	36,606	12,607	101,014
As at September 30, 2019	–	25,347	30,393	10,252	65,992

**7. SHARE CAPITAL**

- (a) On March 2, 2018, RSI issued 3,763,191 common shares pursuant to the merger with the Company. The Company issued 144,872 common shares with a fair value of \$282,500 as a finder's fee on the transaction. Refer to Note 4.
- (b) On March 13, 2018, the Company issued 5,128 common shares with a fair value of \$10,000 pursuant to an agency agreement.
- (c) On July 5, 2018 and July 30, 2018, the Company converted 1,374,923 special warrants into common shares of the Company. Refer to Notes 8(a) and (b).
- (d) On November 9, 2018, the Company issued 17,094 common shares with a fair value of \$46,667 for consulting services.
- (e) On November 9, 2018, the Company issued 256,410 common shares with a fair value of \$700,000 pursuant to the acquisition of Santos Torres Ltd. During the year ended December 31, 2018, the Company recognized a \$700,000 impairment of goodwill due to the uncertainty of recoverability as the acquired company has no assets or liabilities.
- (f) On November 13, 2018, the Company issued 94,923 common shares for proceeds of \$185,100 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants of \$132,853 was transferred from warrant reserve to share capital.
- (g) On March 14, 2019 the Company issued 19,231 common shares with a fair value of \$27,500 for consulting services.
- (h) On March 14, 2019, the Company issued 15,385 common shares for proceeds of \$12,000 pursuant to the exercise of stock options. The fair value of the stock options of \$6,612 was transferred from share-based payment reserve to share capital.
- (i) On May 15, 2019, the former CIO and CTO voluntarily cancelled all of the common shares held in each of their names. A total number of 1,550,342 common shares were cancelled.
- (j) On September 2, 2019, the Company issued 2,862,411 common shares for the settlement of \$257,617 of debt.

Shares issued by the Company prior to the reverse takeover acquisition:

- (k) On January 10, 2018, the Company issued 46,202 common shares to settle accounts payable of \$90,039.

**Softlab9 Software Solutions Inc. (formerly APPx Group Holdings Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**September 30, 2019**

*(Expressed in Canadian dollars)*  
*(unaudited)*

**7. SHARE CAPITAL (continued)**

Shares issued by the Company prior to the reverse takeover acquisition (continued):

- (l) On February 27, 2018, the Company completed a non-brokered private placement of 385,179 special warrants in the capital of the Company at a price of \$1.30 per special warrant for proceeds of \$751,100, of which \$64,045 was received as at December 31, 2017. The special warrants are exercisable by the holders thereof at any time after February 27, 2018 for no additional consideration and all unexercised special warrants will be deemed to be exercised without any further action on the part of the holder on the earlier of: (a) June 28, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each of the provinces of Canada where the special warrants are sold, qualifying the common shares to be issued upon the exercise or deemed exercise of the special warrants. In connection with this private placement of special warrants, the Company issued 23,786 common shares and 10,256 share purchase warrants with each warrant entitling the holder to purchase one additional common share exercisable at \$4.94 per share until February 28, 2019.
- (m) On February 27, 2018, the Company issued 31,621 common shares to settle debt of \$61,661.

**8. SPECIAL WARRANTS**

Special warrants transactions after the reverse asset acquisition:

- (a) On March 13, 2018, the Company closed a brokered private placement of 989,744 special warrants at a price of \$1.95 per special warrant for gross proceeds of \$1,930,000. Each special warrant is exercisable by the holder to receive one common share of the Company for no additional consideration, and all unexercised special warrants will be deemed to be exercised without any further action on the earlier of: (a) July 14, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each province where the special warrants were sold, qualifying the common shares to be issued upon the exercise of the special warrants. These were converted to common shares on July 30, 2018.

Pursuant to an agency agreement entered into between the Company and the Agent, an aggregate of 69,282 share purchase warrants were issued to the Agent, representing 7% of the special warrants sold. An additional 25,641 share purchase warrants were issued to the Agent in consideration of advisory services rendered under the agreement. Each warrant issued to the Agent is exercisable at a price of \$1.95 per share for a period of two years. The share purchase warrants issued were fair valued at \$132,583 using the Black-Scholes option pricing model assuming no expected dividends, no forfeitures, a risk-free rate of 1.79%, expected volatility of 150%, and expected life of two years. The Company paid the Agent \$135,100 and incurred share issuance costs of \$72,258. In addition, the Company issued 5,128 common shares with a fair value of \$10,000 pursuant to the agency agreement.

Special warrants transactions before the reverse asset acquisition:

- (b) On February 27, 2018, the Company completed a non-brokered private placement of 385,179 special warrants in the capital of the Company at a price of \$1.95 per special warrant for proceeds of \$751,100, of which \$64,045 was received as at December 31, 2017.

The special warrants are exercisable by the holders thereof at any time after February 27, 2018 for no additional consideration and all unexercised special warrants will be deemed to be exercised without any further action on the part of the holder on the earlier of: (a) June 28, 2018, and (b) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities in each of the provinces of Canada where the special warrants are sold, qualifying the common shares to be issued upon the exercise or deemed exercise of the special warrants. In connection with this private placement of special warrants, the Company issued 23,786 common shares and 15,385 share purchase warrants with each warrant entitling the holder to purchase one additional common share exercisable at \$4.94 per share until February 28, 2019. These special warrants were converted to common shares on July 5, 2018.

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**9. SHARE PURCHASE WARRANTS**

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2018	10,256	3.25
Expired	(10,256)	3.25
Balance, September 30, 2019	—	—

**10. STOCK OPTIONS**

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2018	405,977	3.90
Issued	1,117,949	0.91
Exercised	(15,385)	0.78
Cancelled	(1,026,489)	(2.08)
Balance, September 30, 2019	482,052	0.91

During the three and nine months ended September 30, 2019, the Company recognized nil and \$580,515 (2018 - \$nil), respectively, in share-based compensation. The weighted average grant date fair value of stock options granted during the nine months ended September 30, 2019 was \$6.76 (2018 - \$nil) per option.

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.67%	—
Expected volatility	150%	—
Expected option life (in years)	1.11	—

Additional information regarding stock options outstanding as at September 30, 2019, is as follows:

Outstanding and exercisable		
Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
23,077	1.12	3.90
51,282	0.32	1.17
292,308	0.44	0.78
115,385	1.64	1.04

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**11. RELATED PARTY TRANSACTIONS**

- (a) During the three and nine months ended September 30, 2019, the Company incurred \$20,000 and \$80,000 (2018 - \$30,000 and \$70,000) respectively, in consulting and management fees to a company controlled by the Chief Executive Officer of the Company ("CEO"). As at September 30, 2019, the Company owed \$nil (December 31, 2018 - \$5,250) to a company controlled by the CEO and \$2,904 (December 31, 2018 - \$799) to the CEO which is included in accounts payable and accrued liabilities. The amounts owed are unsecured, non-interest bearing and due on demand.
- (b) During the three and nine months ended September 30, 2019, the Company incurred \$nil and \$15,000 (2018 - \$18,948 and \$40,654), respectively, in consulting and management fees, and \$nil and \$15,000 (2018 - \$18,948 and \$40,654), respectively, in research and development fees to a company controlled by the former President. As at September 30, 2019 the Company owed \$6,970 (December 31, 2018 - \$nil) to the company controlled by the former President included in accounts payable and accrued liabilities. The amounts owed are unsecured, non-interest bearing, and due on demand. During the nine months ended September 30, 2018, \$50,032 owed to this company was forgiven.
- (c) During the nine months ended September 30, 2018, \$79,349 owed to the former President of the Company was forgiven pursuant to a debt settlement agreement.
- (d) During the three and nine months ended September 30, 2019, the Company incurred \$nil and \$nil (2018 - \$15,000 and \$35,000), respectively, in research and development fees and \$nil and \$nil (2018 - \$15,000 and \$35,000), respectively, in general and administrative costs to the former Chief Technology Officer ("CTO") of the Company. During the nine months ended September 30, 2018, the total amount of \$54,150 owed to the CTO of the Company was forgiven pursuant to a debt settlement agreement.
- (e) During the three and nine months ended September 30, 2019, the Company incurred \$nil and \$nil (2018 - \$20,000 and \$25,000), respectively, in research and development fees and \$nil and \$5,000 (2018- \$nil and \$5,000), respectively, in advertising and promotion fees to the former Chief Information Officer ("CIO") of the Company. During the nine months ended September 30, 2018, the amount of \$91,650 owed to the CIO of the Company was forgiven.
- (f) During the three and nine months ended September 30, 2019, the Company incurred \$20,000 and \$74,000 (2018 - \$12,000 and \$40,000), respectively, in consulting and management fees to a company controlled by the Chief Financial Officer of the Company. As at September 30, 2019 the Company owed \$23,738 (December 31, 2018 - \$nil) to a company controlled by the CFO which is included in accounts payable and accrued liabilities. The amounts owed are unsecured, non-interest bearing and due on demand.
- (g) During the three and nine months ended September 30, 2019, the Company incurred \$nil and \$10,000 (2018 - \$nil and \$nil) respectively, in consulting and management fees to a Director of the Company.

**12. LOANS PAYABLE**

The Company has received \$150,000 in loans that are unsecured, non-interest bearing and due on demand.

**13. COMMITMENT**

On April 5, 2018, the Company entered into a premises lease agreement which is for a five-year term beginning on July 1, 2018. The minimum lease payments over the term of the lease are as follows:

Fiscal Year	\$
2019	26,349
2020	29,550
2021	32,505
2022	35,706
	<hr/>
	124,110

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**14. SEGMENTED REPORTING**

The Company has one main operating segment specializing in launching, acquiring, and vertically integrating technology companies and all assets of the Company are located in Canada.

**15. MANAGEMENT OF CAPITAL**

The Company's objectives in managing capital are to ensure sufficient liquidity to finance its corporate administration and working capital. The Company manages its liquidity to minimize shareholder dilution whenever possible. The Company manages its capital through regular board meetings and ongoing review of consolidated financial information. The Company considers its capital as all components of shareholders' equity.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to carry out its strategic business objectives to acquire and/or partner with leading personal-driven social media firms and complete an exchange listing application. In order to maximize ongoing development efforts, the Company does not pay out dividends. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at September 30, 2019 as follows:

	Fair value measurements using			Balance, September 30, 2019 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	31	–	–	31

The fair value of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at September 30, 2019 and December 31, 2018, the Company's exposure to credit risk is the carrying value of cash and amounts receivable. The Company reduces its credit risk by holding its cash at a major Canadian financial institution. Amounts receivable mainly consists of GST and QST receivable due from the Government of Canada and Revenue Quebec. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company may have to raise additional funds through equity or debt financing.

As at September 30, 2019, the Company had cash of \$31 and accounts payable and accrued liabilities of \$595,163. All accounts payable and accrued liabilities are due within 90 days.

(d) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.



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**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

(e) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

**17. SUBSEQUENT EVENTS**

- (a) On October 21, 2019, the Company issued 1,008,333 of common shares pursuant to a debt settlement agreement on \$121,000 of debt.
- (b) On October 25, 2019, the Company issued 580,000 stock options at an exercise price of \$0.12 expiring October 25, 2021.
- (c) Subsequent to quarter end, 100,000 stock options were exercised for proceeds of \$12,000
- (d) Subsequent to quarter end, the Company cancelled 482,052 stock options.