

STAGE HOLDCO LTD.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Stage Holdco Ltd.

Opinion

We have audited the accompanying financial statements of Stage Holdco Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2019 and the period from incorporation on December 24, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and the period from incorporation on December 24, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements, which indicates that the Company has limited financial resources and no source of operating cash flow. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 29, 2020

STAGE HOLDCO LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2019	2018
ASSETS		
Current		
Cash	\$ 2,525	\$ -
Receivables	<u>3,076</u>	<u>1</u>
	5,601	1
Investment in securities (Note 4)	<u>1,650,000</u>	<u>-</u>
	<u>\$ 1,655,601</u>	<u>\$ 1</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 6)	<u>\$ 211,733</u>	<u>\$ -</u>
Shareholders' equity		
Share capital (Note 5)	6,550,001	1
Deficit	<u>(5,106,133)</u>	<u>-</u>
	<u>1,443,868</u>	<u>1</u>
	<u>\$ 1,655,601</u>	<u>\$ 1</u>

Nature of operations (Note 1)

On behalf of the Board:

"Garth Braun" Director _____
"William Macdonald" Director

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

STAGE HOLDCO LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Period from Incorporation on December 24, 2018 to December 31, 2018
EXPENSES		
Consulting fees	\$ 60,000	\$ -
Directors fees	36,000	-
Office costs	326	-
Professional fees	105,000	-
Transfer agent	<u>4,807</u>	<u>-</u>
Loss before other expense	(206,133)	-
OTHER EXPENSE		
Unrealized loss on investment (Note 4)	<u>(4,900,000)</u>	<u>-</u>
Loss and comprehensive loss	<u>\$ (5,106,133)</u>	<u>\$ -</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ -</u>
Weighted average number of common shares outstanding	<u>849,176,510</u>	<u>1</u>

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

STAGE HOLDCO LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Deficit	Shareholders' Equity
Balance, December 24, 2018	-	\$ -	\$ -	\$ -
Issuance of incorporation share	1	1	-	1
Balance, December 31, 2018	1	1	-	1
Shares issued pursuant to arrangement (Note 4)	858,585,667	6,550,000	-	6,550,000
Loss for the year	-	-	(5,106,133)	(5,106,133)
Balance, December 31, 2019	858,585,668	\$ 6,550,001	\$ (5,106,133)	\$ 1,443,868

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

STAGE HOLDCO LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Period from Incorporation on December 24, 2018 to December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	\$ (5,106,133)	\$ -
Changes in non-cash working capital items:		
Receivables	(3,075)	-
Unrealized loss on investment	4,900,000	-
Accounts payable and accrued liabilities	<u>211,733</u>	<u>-</u>
Net cash provided by operating activities	<u>2,525</u>	<u>-</u>
Change in cash for the period	2,525	-
Cash, beginning of period	<u>-</u>	<u>-</u>
Cash, end of period	\$ 2,525	\$ -
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE OF OPERATIONS

Stage Holdco Ltd. (the “Company”) was incorporated under the Business Corporations Act (Alberta) on December 24, 2018. The Company was formed as part of a merger of Blackbird Energy Inc. (“Blackbird”) and Pipestone Oil Corp. (“Pipestone Oil”), resulting in Pipestone Energy Corp. (“Pipestone Energy”). As part of that arrangement, Blackbird’s interest in Stage Completions Inc. (“SC”) (Note 4) was distributed to the Company on January 4, 2019 at which time the Company became a reporting issuer. The Company’s principal business activity is its 10% interest in an energy technology company with a goal to acquire and develop other technologies.

The Company’s registered and records office is located at Suite 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7. The Company’s head office is located at Suite 588, 580 Hornby Street, Vancouver, BC, Canada, V6C 3B6

2. BASIS OF PRESENTATION

i) 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”).

These financial statements were authorized for issue by the Board of Directors on April 29, 2020.

ii) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars unless otherwise noted.

iii) Going Concern of Operations

These financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has limited financial resources and no source of operation cash flow. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

i) Investment in securities

As described in Note 4 the Company used its judgement to conclude that it does not have significant influence over SC and therefore equity accounting is not required. The Company also applies significant estimates and judgements in determining the fair value of its investment in SC.

Financial instruments

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and contractual cash flow characteristics of the financial asset.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets

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

Financial instruments (cont'd...)

Financial assets (cont'd...)

based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company has classified its cash and investment in securities at FVTPL and its receivables at amortized cost.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities: This category includes accounts payable and accrued liabilities which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Foreign currency translation

The financial statements are presented in CAD dollar. The functional currency of the Company is the CAD dollar.

Transactions in foreign currencies are translated into the entities functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the functional currency are translated using the exchange rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates in effect at the date of the underlying transaction, except for depreciation related to non-monetary assets, which is translated at historical exchange rates. Exchange differences are recognized in profit or loss in the year in which they occur.

Loss per share

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

New standards, amendments and interpretation

Effective January 1, 2019

IFRS 16 – Leases. IFRS 16 is a new standard to set out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17, *Leases*, and instead introduces a single lessee accounting model. Effective January 1, 2019 the Company adopted this new standard. The adoption of IFRS 16 did not have a material effect on the Company's financial statements because the Company does not have any lease agreements.

4. INVESTMENT IN SECURITIES

The Company has a 10% equity interest in SC, a private Canadian technology and services company in the oil and gas industry. The ownership in SC resulted as part of the arrangement between Blackbird and Pipestone Oil completed on January 4, 2019 to form Pipestone Energy.

As part of the arrangement, Blackbird distributed its 10% interest in SC to the Company in exchange for 858,585,667 common shares of the Company that were distributed to the former shareholders of Blackbird. The 10% interest was distributed at a fair value of \$6,550,000. Pursuant to the arrangement, 175,188,092 Listed Warrants were also issued (Note 5).

The Company has accounted for its investment in SC as a level 3 financial instrument held as FVTPL. Given its ownership position and other relationships with SC, the Company considered if equity accounting was required. The Company's security holdings in SC are for investment purposes only. The Company does not intend to participate in policy making. The Company did not receive any contractual entitlement to have a nominee appointed

4. INVESTMENT IN SECURITIES (cont'd...)

to the board of directors of SC as a result of the investment. The Company and SC do however have a common director from previous appointments. To ensure that the Company will not act jointly or in concert with any common directors/officers in connection with the holding or voting of its securities in SC, the individual has declared their conflict and has abstained from past voting when applicable and will continue to abstain from voting as a board member on any matters related to SC and the Company which may arise. Given these factors, the Company has concluded that equity accounting is not applicable.

With the absence of recent common share transactions involving SC for reference, the determination of fair value for this investment requires management to make judgments, estimates and assumptions. The inputs used have risk of causing material adjustments to the carrying amount of the investment. For the year ended December 31, 2019, the Company utilized a discounted cash flow ("DCF") model to derive the fair value of its investment in SC. As more relevant and/or reliable information becomes available the Company may adjust these methodologies accordingly for assigning a fair value to this asset. The DCF model applied a discount rate of 25.0%. The key assumptions used in the DCF model consist of certain future growth rates and profit margins that are based on signed and expected customer contracts and the number of wells that the SC technology will be deployed in over certain geographic regions as well as industry comparable profit margins. A 10% change in the following key assumptions would result in the following fluctuations in estimated fair value of the investment in SC: +/- \$500,000 for variances in projected revenues, and +/- \$500,000 for variances in Earnings Before Interest, Taxes, Depreciation & Amortization ("EBITDA"). A 1% change in the discount rate would result in a +/- \$200,000 fluctuation in estimated fair value. Depending on whether or not these assumptions are realized could result in material adjustment to the fair value resulting from this DCF model in the future.

During the year ended December 31, 2019, the Company had an unrealized loss on its investment of \$4,900,000 resulting in an estimated fair value of \$1,650,000 as at December 31, 2019.

5. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and preferred shares.

During the year ended December 31, 2019, the Company issued 858,585,667 common shares at a value of \$6,550,000 as part of Blackbird's transfer of its interest in a private company as described in Note 4.

During the period of incorporation on December 24, 2018 to December 31, 2018 the Company issued 1 incorporation share for \$1.

Listed Warrants

The Listed Warrants, are issued by Pipestone Energy as per of the arrangement. On the exercise of each warrant, the Company is obligated to issue one common share to the warrant holder and receive proceeds of \$0.00375 from Pipestone Energy for each exercised warrant.

STAGE HOLDCO LTD.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2019

5. SHARE CAPITAL (cont'd...)

Listed Warrants (cont'd...)

Listed Warrant transactions and the number of listed warrants outstanding are summarized as follows:

	Number of Listed Warrants	Weighted Average Exercise Price
Opening balance, December 24, 2018 and December 31, 2018	-	\$ -
Granted	175,188,092	0.00375
Outstanding, December 31, 2019	175,188,092	\$ 0.00375

Listed Warrants outstanding at December 31, 2019 are as follows:

Listed Warrants Outstanding	Listed Warrants Exercisable	Exercise Price	Expiry Date
175,188,092	175,188,092	\$ 0.00375	May 19, 2021

6. RELATED PARTY TRANSACTIONS

Key management personnel include these persons having the authority and responsibility for planning, directing and controlling activities of the Company as a whole. Key management includes members of the Board, the Chief Executive Officer and the Chief Financial Officer. The Company entered into the following transactions with related parties during the year ended December 31, 2019:

- i) Paid or accrued \$60,000 (period from incorporation on December 24, 2018 to December 31, 2018 - \$Nil) in consulting fees a company controlled by the Chief Executive Officer / director of the Company.
- ii) Paid or accrued \$36,000 (period from incorporation on December 24, 2018 to December 31, 2018 - \$Nil) in directors fees to an independent director of the Company.
- iii) Paid or accrued \$60,000 (period from incorporation on December 24, 2018 to December 31, 2018 - \$Nil) consisting of accounting and administration fees, recorded as professional fees, to a company controlled by the Chief Financial Officer / director of the Company.

Included in due to related parties as of December 31, 2019 is \$166,733 (period from incorporation on December 24, 2018 to December 31, 2018 - \$Nil) due to directors and a company controlled by a director. The amounts are non-interest bearing and unsecured.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 fair value of the Company's receivable and accounts payable and accrued liabilities approximate their carrying value. Cash is measured at fair value using Level 1 inputs and investments are measured at fair value using Level 3 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with its bank from which management believes the risk of loss is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(d) Currency risk

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

8. CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as shareholder equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company may invest its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

The Company raises capital to fund its corporate and other obligations through the sale of its common shares or units consisting of common shares and warrants in order to operate its business and safeguard its ability to continue as a going concern. There have been no changes to the Company's approach to capital management during the period.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended December 31, 2019 included:

- Issuance of 858,585,667 common shares at a value of \$6,550,000 as part of the arrangement (see Note 4).

Significant non-cash transactions during the period of incorporation on December 24, 2018 to December 31, 2018 included:

- Issuance of 1 incorporation common share at a value of \$1 which is receivable.

10. INCOME TAXES

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

	2019	2018
Loss	\$ (5,106,133)	\$ -
Combined statutory tax rate	27 %	27 %
Expected income tax recovery at statutory rates	\$ (1,379,000)	\$ -
Permanent difference	661,000	-
Change in unrecognized deductible temporary differences	<u>718,000</u>	<u>-</u>
Total income expense	\$ -	\$ -

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

	2019	Expiry Date Range
Non-capital losses carried forward	\$ 206,000	2039
Investment	4,900,000	No expiry

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