



DRONE DELIVERY CANADA CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2020 AND 2019
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Drone Delivery Canada Corp. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The financial statements have not been reviewed by the Company's auditors.

Drone Delivery Canada Corp.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

As at	June 30, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	\$ 6,991,149	\$ 9,773,012
Trade and other receivables	366,452	3,100,381
Prepaid expenses (Note 13)	281,339	202,590
	7,638,940	13,075,983
Equipment (Note 4)	2,209,595	2,053,360
Patents (Note 3)	740,828	691,762
Trademarks (Note 5)	21,475	21,475
Leasehold improvements (Note 6)	1,200,733	1,261,988
Right-of-use assets (Note 7)	512,109	604,334
TOTAL ASSETS	\$ 12,323,680	\$ 17,708,902
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 13)	\$ 1,107,770	\$ 1,548,851
Lease obligations - current portion (Note 8)	161,590	156,295
	1,269,360	1,705,146
Lease obligations - long-term portion (Note 8)	380,651	463,800
TOTAL LIABILITIES	1,650,011	2,168,946
EQUITY		
Share capital	50,574,383	49,150,930
Share-based payments reserve	14,337,382	13,627,437
Deficit	(54,238,096)	(47,238,411)
	10,673,669	15,539,956
TOTAL LIABILITIES AND EQUITY	\$ 12,323,680	\$ 17,708,902

Nature of Operations (Note 1)**Commitments and Contingencies** (Note 9)**Approved on Behalf of the Board:**"Michael Zahra"

Director

"Chris Irwin"

Director

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

Drone Delivery Canada Corp.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUE				
Drone service revenue	\$ 24,000	\$ -	\$ 26,545	\$ -
Service costs	(67,036)	-	(95,540)	-
Gross margin	(43,036)	-	(68,995)	-
OPERATING EXPENSES				
Advertising and promotion	15,562	67,117	848,677	667,339
Depreciation of equipment, leasehold improvements and right-of-use assets	187,779	47,695	393,827	96,227
Accretion	14,696	-	29,346	-
Consulting (Note 13)	259,179	1,053,348	552,075	2,056,024
Interest and bank charges	2,387	2,367	4,910	4,235
Office and general (Notes 13 and 14)	957,941	868,767	2,165,805	1,222,918
Professional fees (Note 13)	96,988	59,785	165,590	105,062
Shareholder information	84,456	97,351	143,837	291,202
Research and development	635,882	1,004,108	1,448,225	1,596,110
Share-based compensation	586,097	233,369	1,178,398	1,184,328
	2,840,967	3,433,907	6,930,690	7,223,445
NET LOSS AND COMPREHENSIVE LOSS	\$ (2,884,003)	\$ (3,433,907)	\$ (6,999,685)	\$ (7,223,445)
Basic and diluted loss per share (Note 12)	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	178,215,692	173,766,124	178,548,856	168,738,144

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

Drone Delivery Canada Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

	Number of Shares	Common Shares (\$)	Share-based Payments Reserve (\$)	Deficit (\$)	Total (\$)
Balance, December 31, 2018	161,799,709	35,441,020	10,744,453	(31,641,207)	14,544,266
Private placement, net of costs	8,350,000	9,084,249	-	-	9,084,249
Issuance of warrants	-	(1,340,175)	1,340,175	-	-
Issuance of broker warrants	-	(120,564)	120,564	-	-
Exercise of warrants - cash	2,180,080	763,028	-	-	763,028
Exercise of warrants - valuation	-	572,053	(572,053)	-	-
Exercise of options - cash	3,285,100	1,830,500	-	-	1,830,500
Exercise of options - valuation	-	1,100,510	(1,100,510)	-	-
Exercise of overallotment option	344,200	356,969	96,443	-	453,412
Stock based compensation	-	-	1,184,328	-	1,184,328
Net loss for the period	-	-	-	(7,223,445)	(7,223,445)
Balance, June 30, 2019	175,959,089	47,687,590	11,813,400	(38,864,652)	20,636,338
Balance, December 31, 2019	177,345,089	49,150,930	13,627,437	(47,238,411)	15,539,956
Exercise of options - cash	1,910,000	955,000	-	-	955,000
Exercise of options - valuation	-	468,453	(468,453)	-	-
Stock based compensation	-	-	1,178,398	-	1,178,398
Net loss for the period	-	-	-	(6,999,685)	(6,999,685)
Balance, June 30, 2020	179,255,089	50,574,383	14,337,382	(54,238,096)	10,673,669

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

Drone Delivery Canada Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

For the Six Months Ended June 30,	2020	2019
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	\$ (6,999,685)	\$ (7,223,445)
Items not affecting cash:		
Depreciation of equipment, leasehold improvements and right-of-use assets	445,964	96,227
Amortization of patents	4,944	-
Stock-based compensation	1,178,398	1,184,328
Net change in non-cash working capital:		
Amounts receivable	2,733,929	(661,399)
Prepaid expenses	(78,749)	46,646
Accounts payable and accrued liabilities	(441,081)	(1,267,573)
	(3,156,280)	(7,825,216)
INVESTING ACTIVITIES		
Assets under construction	(265,590)	-
Acquisition of equipment	(58,668)	(267,487)
Acquisition of patents	(54,010)	(97,187)
Acquisition of leasehold improvements	(100,463)	(598,872)
	(478,731)	(963,546)
FINANCING ACTIVITIES		
Repayment of lease obligations	(101,852)	(85,675)
Private placement, net of costs	-	9,084,249
Proceeds from exercise of options	955,000	1,830,500
Proceeds from exercise of warrants	-	763,028
Proceeds from exercise of overallotment option	-	453,412
	853,148	12,045,514
CHANGE IN CASH	(2,781,863)	3,256,752
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,773,012	14,308,532
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,991,149	\$ 17,565,284

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

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

1. NATURE OF OPERATIONS

Drone Delivery Canada Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company is a developmental technology company with a focus on designing, developing and implementing a commercially viable drone delivery system within the Canadian geography. The Company's principal office is located at 6175 Highway 7, Unit 10, Vaughan, Ontario L4H 0P6.

As at June 30, 2020, the Company had cash and cash equivalents of \$6,991,149 (December 31, 2019 - \$9,773,012) and working capital of \$6,369,580 (December 31, 2019 - \$11,370,837). Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and its liabilities for the ensuing twelve months as they normally fall due.

The Company's Common Shares are listed for trading on the TSXV under the symbol "FLT" and the Frankfurt Stock Exchange under the symbol "A2AMGZ", and are quoted on the OTCQB Venture Market in the United States under the symbol "TAKOF".

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on September 4, 2020.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, Drone Delivery Canada Inc.. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership are transferred to the customer, which is at the time service has been rendered, the amount of revenue can be measured reliably, and the receipt of economic benefits is probable.

Any consideration received in advance of services being rendered is recorded as deferred revenue and subsequently recognized as it is earned.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

3. PATENTS

Balance, December 31, 2018	\$	484,806
Additions		211,075
Balance, December 31, 2019	\$	695,881
Additions		54,010
Balance, June 30, 2020	\$	749,891
Accumulated Depreciation		
Balance, December 31, 2018	\$	-
Amortization		4,119
Balance, December 31, 2019		4,119
Amortization		4,944
Balance, June 30, 2020	\$	9,063
Carrying Value		
At December 31, 2019	\$	691,762
At June 30, 2020	\$	740,828

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2020
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

4. EQUIPMENT

Cost	Automobile	Lab	Office	Flight Equipment	Assets Under Construction	Drone Parts	Total
Balance, December 31, 2018	\$ 8,750	\$ 67,444	\$ 84,521	\$ -	\$ -	\$ -	\$ 160,715
Additions	-	347,793	387,524	569,520	576,997	206,299	2,088,133
Balance, December 31, 2019	\$ 8,750	\$ 415,237	\$ 472,045	\$ 569,520	\$ 576,997	\$ 206,299	\$ 2,248,848
Additions	-	-	19,550	-	265,590	39,118	324,258
Transfers from assets under construction	-	-	-	317,825	(225,745)	(92,080)	-
Adjustments	-	-	-	-	-	(10,290)	(10,290)
Balance, June 30, 2020	\$ 8,750	\$ 415,237	\$ 491,595	\$ 887,345	\$ 616,842	\$ 143,047	\$ 2,562,816

Accumulated Depreciation

Balance, December 31, 2018	\$ 4,270	\$ 18,825	\$ 40,842	\$ -	\$ -	\$ -	\$ 63,937
Depreciation	1,120	55,628	59,354	15,449	-	-	131,551
Balance, December 31, 2019	\$ 5,390	\$ 74,453	\$ 100,196	\$ 15,449	\$ -	\$ -	\$ 195,488
Depreciation	998	41,258	53,618	61,859	-	-	157,733
Balance, June 30, 2020	\$ 6,388	\$ 115,711	\$ 153,814	\$ 77,308	\$ -	\$ -	\$ 353,221

Carrying Value

At December 31, 2019	\$ 3,360	\$ 340,784	\$ 371,849	\$ 554,071	\$ 576,997	\$ 206,299	\$ 2,053,360
At June 30, 2020	\$ 2,362	\$ 299,526	\$ 337,781	\$ 810,037	\$ 616,842	\$ 143,047	\$ 2,209,595

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

5. TRADEMARKS

Balance, December 31, 2018	\$	11,352
Additions		10,123
Balance, December 31, 2019 and June 30, 2020	\$	21,475

6. LEASEHOLD IMPROVEMENTS

Leasehold improvements consists of costs incurred to build out the Company's 16,000 square foot operations centre (the "Operations Centre"). Upon the Operations Centre being put into use in October 2019, amortization commenced and is recorded on a straight-line basis over the term of the underlying lease.

Cost

Balance, December 31, 2018	\$	-
Additions		1,332,807
Balance, December 31, 2019	\$	1,332,807
Additions		100,463
Balance, June 30, 2020	\$	1,433,270

Accumulated Depreciation

Balance, December 31, 2018	\$	-
Depreciation		70,819
Balance, December 31, 2019	\$	70,819
Depreciation		161,718
Balance, June 30, 2020	\$	232,537

Carrying Value

At December 31, 2018	\$	1,261,988
At June 30, 2020	\$	1,200,733

7. RIGHT-OF-USE ASSETS

IFRS 16 - right-of-use asset recognition	\$	791,174
Right-of-use assets at January 1, 2019	791,174	
Depreciation		(186,840)
Balance, December 31, 2019	\$	604,334
Depreciation		(92,225)
Balance, June 30, 2020	\$	512,109

Right-of-use assets consists of office, testing and operations facility leases and are amortized over an average of 58.5 months.

Maturity Analysis - Contractual Undiscounted Cash Flows

As at June 30, 2020:		
Less than one year	\$	208,565
Greater than one year		430,201
Total undiscounted lease obligation	\$	638,766

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

8. LEASE OBLIGATIONS

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate. The continuity of the lease liabilities are presented in the table below:

Balance, December 31, 2018	\$ -
Additions	791,174
Accretion expense	66,582
Lease payments	(237,661)
Balance, December 31, 2019	\$ 620,095
Accretion expense	29,346
Lease payments	(107,200)
Balance, June 30, 2020	\$ 542,241
As at June 30, 2020:	
Less than one year	\$ 161,590
Greater than one year	380,651
Total lease obligation	\$ 542,241

9. COMMITMENTS AND CONTINGENCIES

Occupancy Leases

On January 1, 2016, the Company entered into an office lease agreement with a corporation controlled by a director to lease office space at \$ 57,000 to \$ 60,750 per year. The lease commenced on January 1, 2016 and expires on January 1, 2021.

On February 4, 2019, the Company entered into a lease for a 16,000 square foot operations facility in Vaughan, Ontario, obliging the Company to make minimum monthly lease payments between \$11,404 and \$12,746 for five years. The lease will expire in the year ended December 31, 2024.

The Company entered into a lease for a drone testing facility in Vaughan, Ontario, obliging the Company to make minimum monthly lease payments of \$2,000 until February 1, 2021.

COVID-19

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global oil prices;
- Demand for drone delivery services;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding.

At the date of the approval of these consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

10. STOCK OPTIONS

The following table reflects the continuity of stock options for the six months ended June 30, 2020 and 2019:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2018	15,690,000	\$ 1.02
Granted	-	-
Exercised	(3,285,000)	0.55
Balance - June 30, 2019	12,405,000	1.15
Balance, December 31, 2019	17,780,000	1.10
Exercised	(1,910,000)	0.50
Balance - June 30 2020	15,870,000	\$ 1.13

The following table reflects options outstanding as at June 30, 2020:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
July 20, 2022	0.50	2.05 years	2,600,000
September 20, 2022	0.50	2.22 years	725,000
January 5, 2023	1.00	2.52 years	1,620,000
March 2, 2023	1.80	2.67 years	5,300,000
August 2, 2023	1.80	3.09 years	250,000
August 30, 2024	1.00	4.17 years	5,375,000
	\$ 1.13	2.93 years	15,870,000

11. WARRANTS

The following table reflects the continuity of warrants for the six months ended June 30, 2020 and 2019:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2018	3,566,080	\$ 1.49
Exercised	(2,180,080)	0.35
Issued	4,449,451	1.49
Balance, June 30, 2019	5,835,451	0.46
Balance - December 31, 2019 and June 30, 2020	5,075,701	\$ 1.48

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2020 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

11. WARRANTS (Continued)

The following table reflects warrants outstanding as at June 30, 2020:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
March 25, 2021	1.20	0.73 years	274,451	\$ 109,459
March 25, 2021	1.50	0.73 years	4,801,250	1,476,125
	\$ 1.48	0.73 years	5,075,701	\$ 1,585,584

12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the six months ended June 30, 2020 and 2019.

13. RELATED PARTY TRANSACTIONS AND BALANCES

a) Key Management Compensation:

Key management personnel include those persons having 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 members of the Company's Board of Directors and its executive officers.

During the three and six months ended June 30, 2020 and 2019 the following compensation amounts were incurred in respect of key management personnel:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Consulting fees and salaries	\$ 213,327	\$ 228,000	\$ 425,173	\$ 492,000
Severance	-	-	-	584,000
	\$ 213,327	\$ 228,000	\$ 425,173	\$ 1,076,000

During the three and six months ended June 30, 2020, the Company allocated the \$213,327 and \$425,173, respectively (three and six months ended June 30, 2019 - \$228,000 and \$1,076,000, respectively) of consulting fees and salaries based on the nature of services provided: expensed \$52,500 and \$105,000, respectively (three and six months ended June 30, 2019 - \$87,000 and \$794,000, respectively) to consulting; and expensed \$90,327 and \$179,173, respectively (three and six months ended June 30, 2019 - \$nil) to office and general and \$70,500 and \$141,000, respectively to research and development (three and six months ended June 30, 2019 - \$70,500 and \$141,000, respectively). Severance payments of \$nil (three and six months ended June 30, 2019 - \$584,000) are included in consulting expense.

As at June 30, 2020, consulting fees of \$nil (December 31, 2019 - \$497,200) remain unpaid are included in accounts payable and accrued liabilities. Consulting fees of \$99,440 (December 31, 2019 - \$99,440) paid in advance are included in prepaid expenses.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

a) Key Management Compensation (Continued)

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated without cause or upon a change of control of the Company, a termination payment of 12 to 18 months salary, at \$392,700 per annum, is payable. If the termination had occurred on June 30, 2020, the amount payable under the agreement would be \$392,700.

The Company has consulting agreements with a corporation controlled by a former director, a corporation controlled by the Vice President, a corporation controlled by the former Chief Executive Officer and a corporation controlled by the Chief Technology Officer, which provide that in the event the consulting agreements are terminated without cause or upon a change of control of the Company, a termination payment of two years of consulting fees, ranging from \$210,000 to \$282,000 per annum depending on the agreement, is payable. If all such terminations had occurred on June 30, 2020, the total amount payable under the agreements would be \$2,112,000.

- b) During the three and six months ended June 30, 2020, rent of \$8,200 and \$19,067 (three and six months ended June 30, 2019 - \$16,000 and \$25,600, respectively) was paid to a company controlled by an officer who is also a director of the Company. As at June 30, 2020, \$nil was included in accounts payable and accrued liabilities (December 31, 2019 - \$nil).
- c) During the three and six months ended June 30, 2020, legal fees of \$36,720 and \$54,333, respectively (three and six months ended June 30, 2019 - \$23,500 and \$38,800) were accrued or paid to a law firm in which a director of the Company is a partner. As at June 30, 2020, \$11,044 was included in accounts payable and accrued liabilities (December 31, 2019 - \$52,911).
- d) During the three and six months ended June 30, 2020, the Company expensed \$9,317 and \$14,844, respectively (three and six months ended June 30 2019 - \$15,664 and \$22,568, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), The Canadian Venture Building Inc., and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:
- (i) Robert D.B. Suttie, President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
 - (ii) Bookkeeping and office support services;
 - (iii) Regulatory filing services; and
 - (iv) Executive office rental

The Marrelli Group is also reimbursed for out of pocket expenses.

As of June 30, 2020, the Marrelli Group was owed \$2,161 (December 31, 2019 - \$15,075). These amounts are included in accounts payable and accrued liabilities.

14. RESEARCH GRANTS

During the period, the Company received a \$227,283 COVID19 wage subsidy grant from the National Research Council of Canada under the Industrial Research Assistance Program (IRAP). Proceeds from this grant have been applied against the the Company's payroll expense included in office and general.

15. SUBSEQUENT EVENTS

On August 5, 2020, the Company announced it had closed a bought-deal prospectus offering (the "Offering") for aggregate gross proceeds of \$9,257,500 which included the full exercise of the over-allotment option. Under the Offering, the Company issued a total of 13,225,000 units at a price of \$0.70 per unit. Each unit is comprised of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one share at a price of \$0.95 until August 5, 2022. The warrants commenced trading on August 10, 2020. The Underwriters were paid a cash commission of \$555,450, equal to 6% of the gross proceeds raised, and were issued an aggregate of 793,500 broker warrants, each broker warrant entitling the holder to acquire one unit at \$0.70 until August 5, 2022.