Financial statements of

NervGen Pharma Corp.

(formerly 1104403 B.C. Ltd)

(Expressed in Canadian Dollars)

For the period from incorporation on January 19, 2017 to December 31, 2017

NERVGEN PHARMA CORP.

(formerly 1104403 B.C. Ltd)

Statement of Financial Position

(Expressed in Canadian dollars)

as at	December 31, 2017
	$
Assets	
Non-current assets	
Deferred acquisition costs (Note 11)	83,249
	83,249
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities (Note 7)	57,497
Due to related parties (Notes 9)	37,565
	95,062
Shareholders' Equity (Deficiency)	
Common shares (Note 8)	-
Deficit	(11,813)
	(11,813)
	83,249

Nature of business (Note 1)

Subsequent events (Note 11)

Approved by the Board

/s/ William J. Radvak Director */s/ Brian E. Bayley* Director

The accompanying notes are an integral part of these financial statements

NERVGEN PHARMA CORP.

(formerly 1104403 B.C. Ltd)

Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Period from Incorporation on January 19, 2017 to December 31, 2017 $
Expenses	
Professional fees	**8,084**
Office & administration	**3,729**
Loss and comprehensive loss for the period	**(11,813)**
Basic and diluted loss per share	**(5,907)**
Weighted average common shares outstanding (Note 8)	**2**

The accompanying notes are an integral part of these financial statements

NERVGEN PHARMA CORP.

(formerly 1104403 B.C. Ltd)

Statement of Cash Flows

(Expressed in Canadian dollars)

		Period from Incorporation on January 19, 2017 to December 31, 2017 $
Operating activities		
Loss for the period		(11,813)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities		8,566
Due to related parties		3,247
		-
Net increase (decrease) in cash		**-**
Cash, beginning of period		-
Cash, end of period		**-**
Cash paid for interest and taxes	$	-
Non-cash transactions		
Deferred acquisition costs in accounts payable	$	83,249

The accompanying notes are an integral part of these financial statements

NERVGEN PHARMA CORP.

(formerly 1104403 B.C. Ltd)

Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Common Shares		Additional		Total Shareholders'
	Number	Amount	Paid-In Capital	Deficit	Equity (Deficiency)
		$	$	$	$
Opening balance January 19, 2017 (1)	2	-	-	-	-
Loss and comprehensive loss	-	-	-	(11,813)	(11,813)
Balance December 31, 2017	**2**	**-**	**-**	**(11,813)**	**(11,813)**

(1) issued at $0.01 per share

The accompanying notes are an integral part of these financial statements

1. Nature of business

NervGen Pharma Corp. (the "Company" or "NervGen") is a private company incorporated on January 19, 2017 as 1104403 B.C. Ltd. under the *Business Corporations Act* (British Columbia). The name was changed to NervGen Pharma Corp. on November 15, 2017. The corporate office of the Company is Suite 1703, 595 Burrard Street, Vancouver, BC, V7X 1J1, Canada, and the registered office is located at Suite 704, 595 Howe Street, Vancouver, BC, V6C 2T5, Canada.

The Company's principal business activity is the discovery, development and commercialization of pharmaceutical products for the treatment of nerve injuries. NervGen is advancing a drug candidate called NVG-291 initially for the treatment of spinal cord injury while exploiting its technologies to identify additional therapeutic candidates for other related medical conditions.

2. Significant accounting policies

a) Basis of measurement and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting and Interpretations Committee ("IFRIC").

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of NervGen is the Canadian dollar.

The financial statements were approved by the Company's Board of Directors and authorized for issue on November 19, 2018.

b) *Going Concern*

These financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern using the historical cost basis.

Management has forecasted that the Company's current level of cash will not be sufficient to execute its current planned expenditures for the next 12 months without further financing being obtained. The Company is currently in discussion with several potential investors and partners to provide additional funding. Management believes that it will complete one or more of these arrangements in sufficient time to continue to execute its planned expenditures. However, there can be no assurance that the capital will be available as necessary to meet these continuing expenditures, or if the capital is available, that it will be on terms acceptable to the Company. The issuance of common shares by the Company could result in significant dilution in the equity interest of existing shareholders. There can be no assurance that the Company will be able to obtain sufficient financing to meet future operational needs which may result in the delay, reduction or discontinuation of ongoing development programs. As a result, these material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and settle its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such amounts could be material.

2. Significant accounting policies cont'd

c) *Foreign currency*

Transactions in foreign currencies are translated to the functional currency at the rate on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange as at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

d) *Research and development costs*

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Investment tax credits related to current expenditures are included in the determination of profit or loss as the expenditures are incurred when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the discovery, preclinical and clinical evaluation and manufacturing of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

e) *Government assistance*

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same years in which the expenses are recognized.

Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

f) *Intangible assets*

Subsequent to the financial statement date, the Company acquired certain intellectual property licenses. The Company expenses patent costs, including license fees and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred. The Company will capitalize costs directly related to the acquisition of licensed patents.

2. Significant accounting policies cont'd

The Company does not hold any intangible asset with an indefinite life.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in general and administrative expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

g) *Income taxes*

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

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

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

h) *Basic and diluted loss per common share*

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share.

i) *Equipment*

The Company capitalizes fixed assets that exceed $2,500 in value.

Depreciation is recognized using the straight-line method based on an expected life of the assets.

2. Significant accounting policies cont'd

Computer equipment	2 years

Impairment of long-lived assets:

The Company's long-lived assets are reviewed for indications of impairment at the date of preparing each statement of financial position. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying value of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. For the purpose of impairment testing, the Company determined it has one cash-generating unit. The recoverable amount is the greater of the asset's fair value less cost to sell and value in use.

j) *Stock-based compensation*

The Company subsequently adopted a stock-based compensation plan (the "Plan") available to officers, directors, employees and consultants with grants under the Plan approved by the Company's Board of Directors. Under the Plan, the exercise price of each option is determined by the Board of Directors. Vesting is provided for at the discretion of the Board of Directors and the expiration of options is to be no greater than 10 years from the date of grant. The Company uses the fair value-based method of accounting for employee awards granted under the Plan. The Company calculates the fair value of each stock option grant using the Black Scholes option pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options using an estimate of the number of options that will eventually vest.

Stock options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

k) *Financial instruments*

Financial assets

The Company's financial assets are expected to be comprised of cash and accounts receivable. All financial assets are initially recorded at fair value plus directly attributable transaction costs except for fair value through profit or loss where costs are expensed and designated upon inception into one of four categories: at fair value through profit or loss, held-to maturity, available-for-sale, or loans and receivables.

Subsequent to initial recognition, the financial assets are measured in accordance with the following:

2. Significant accounting policies cont'd

- Financial assets classified as fair value through profit or loss are measured at fair value. All gains and losses resulting from changes in their fair value are included in the profit or loss in the period in which they arise. The Company has classified its cash as fair value through profit or loss.
- Held-to-maturity investments, and loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into profit or loss, using the effective interest method less any impairment.
- Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is sold, at which time they will be recorded in profit or loss. Significant or prolonged declines in the fair value of available-for-sale financial assets are recorded in profit or loss.
- Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, with gains and losses recognized in profit or loss in the period that the asset is derecognized or impaired. Receivables are classified as loans and receivables.

The Company assesses at each reporting period date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted.

Financial liabilities

The Company's financial liabilities are comprised of accounts payable and accrued liabilities. All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other liabilities.

Subsequent to initial recognition, the financial liabilities are measured in accordance with the following:

1. Financial liabilities classified as other liabilities are initially recognized at fair value net of any transaction costs. After initial recognition, other liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and amounts due to shareholders are classified as other liabilities.
2. Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized through the profit or loss. At December 31, 2017, the Company had not classified any financial liabilities as fair value through profit or loss.

2. Significant accounting policies cont'd

l) *Warrants issued in equity financing transactions*

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and to explore and evaluate additional product development opportunities. These equity financing transactions may involve issuance of common shares together with warrants. Depending on the terms and conditions of each of the equity financing transactions, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated in the transaction Warrants are assigned a value, based on the residual value, if any, and included in reserves. Warrants that are issued as payment for agency or finders' fees or other transaction costs are accounted for as share-based payments.

3. Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below:

Deferred taxes

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

Valuation of stock-based compensation and warrants

Management will measure the costs for stock-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate, future employee turnover rates, future exercise behaviors and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of stock-based compensation and warrants.

Intangible assets

The Company estimates the useful lives of intangible assets from the date they are available for use in the manner intended by management and periodically reviews the useful lives to reflect management's intent about developing and commercializing the assets.

Functional currency

Management considers the determination of the functional currency of the Company a significant judgment. Management has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and considered various factors including the currency of historical and future expenditures and the currency in which funds from financing activities are generated. A Company's functional currency is only changed when there is a material change in the underlying transactions, events and conditions.

4. Accounting Standards

No new standards, amendments to standards, or interpretations which may have a material impact on the Company's financial statements have taken effect or have been applied in preparing these financial statements during the period January 19, 2017 to December 31, 2017.

The following IFRS pronouncements have been issued but are not yet effective:

IFRS 9, Financial Instruments. In October 2010, the IASB published amendments to IFRS 9 Financial Instruments ("IFRS 9") which provides added guidance on the classification and measurement of financial assets and liabilities. In July 2014, the IASB issued its final version of IFRS 9, which completes the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The final standard is mandatorily effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company believes that the adoption of this standard will not have a material impact on the financial statements.

IFRS 16, Leases. In January 2016 the IASB issued IFRS 16 Leases ("IFRS 16") which requires lessees to recognize assets and liabilities for most leases on their statements of financial position. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. The new standard will be effective for annual periods beginning on or after January 1, 2019 with limited early application permitted. The Company believes that the adoption of this standard will not have a material impact on the financial statements.

5. Capital disclosures

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments).

There were no changes to the Company's capital management policy during the period. The Company is not subject to any externally imposed capital requirements.

6. Financial risk management

(a) Fair value

The Company's financial instruments recognized on the statement of financial position consist of accounts payable, accrued liabilities and amounts due to shareholders. The fair value of these instruments, approximate their carry values due to their short-term maturity.

Classification of financial instruments

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

6. Financial risk management cont'd

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Accounts payable, accrued liabilities and amounts due to shareholders have been classified as other financial liabilities.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, currency and liquidity risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary.

(b) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations.

The Company will manage credit risk associated with its cash by maintaining minimum standards of R1-med or A-high investments and the Company will invest only in highly rated Canadian corporations which are capable of prompt liquidation.

(c) Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company believes that its exposure to interest rate risk is not significant.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company as at December 31, 2017 has had its most pressing financial obligations, primarily for consulting and professional services, settled by its founding shareholders, and moving forward shall be settled out of cash. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. As at December 31, 2017, the Company's liabilities consist of, accounts payable, accrued liabilities and amounts due to shareholders that have contracted maturities of less than one year.

(e) Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company will be exposed to currency risk from employee costs as well as the purchase of goods and services primarily in the United States. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results moving forward.

7. Accounts Payable and Accrued Liabilities

	December 31, 2017
	$
Accounts payable and accrued liabilities	57,497

8. Share Capital

Authorized

Unlimited common shares.

Equity Issuances

Period January 19, 2017 to December 31, 2017

On January 19, 2019 and as at December 31, 2017 there were two shareholders of the Company each issued 1 share for $0.01 per share.

a) *Calculation of loss per share*

Loss per common share is calculated using the weighted average number of common shares outstanding. For the period from January 19, 2017 to December 31, 2017 the calculation was as follows:

	December 31, 2017
Common shares issued and outstanding, beginning of period	2
Shares issued	-
Weighted average shares outstanding, end of period	2
Common shares issued and outstanding, end of period	2

9. Related party disclosures

(a) Key management personnel

Key management personnel, consisting of the Company's officers (President and Secretary) and directors, received the following compensation:

	December 31, 2017
	$
Consulting fees included in deferred acquisition costs	**30,953**

The Company paid or accrued $30,953 in consulting fees to Robert G. Pilz or a Company controlled by Robert Pilz, Secretary of the Company.

9. Related party disclosures cont'd

(b) Amounts payable to related parties

As at December 31, 2017, the Company had amounts owing to related parties of $37,565 related to expense reimbursements.

10. Income taxes

a) Provision for Income Tax

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

	December 31, 2017
	$
Loss before income taxes	(11,813)
Tax rate	26%
Expected tax recovery	(3,000)
Change in unrecognized deductible temporary difference	3,000
	-

b) Deferred income tax

	December 31, 2017
	$
Non-capital losses carry-forward	3,000
Unrecognized deferred tax asset	3,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statements of financial position are as follows:

Type	**Amount**	**Expiry**
Non-capital losses carry-forward	$ 12,000	2037

11. Subsequent Events

Subsequent to December 31, 2017 the Company:

- Completed a non-brokered private placement through the issuance of 6,999,998 common shares to founders at a price of $0.01 per share for gross cash proceeds of $40,500, and settlement of due to related parties of $29,500.
- Incorporated a wholly owned U.S. subsidiary named NervGen US Inc. in the state of Delaware.

11. Subsequent events cont'd

- Completed a non-brokered private placement through the issuance of 3,975,000 common shares at a price of $0.20 per share for gross cash proceeds of $738,468 and settlement of due to related parties of $56,532.

- Entered into an exclusive worldwide licensing agreement, to research, develop and commercialize a patented technology, with Case Western Reserve University ("Case Western Reserve") in Cleveland with potential to bring new therapies for spinal cord injury and other conditions associated with nerve damage. Case Western Reserve was also issued 439,000 common shares of the Company. Case Western Reserve has a pre-emptive right to maintain its shareholding interest by participating in any further financings on the same terms as the other investors until the Company completes an initial public offering. As of December 31, 2017, the Company has incurred acquisition costs related to this license of $83,249. Additional cash payments are payable pursuant to completion of development milestones. Tiered royalties are payable on net sales with additional sales milestone payments due to Case Western Reserve.

- Adopted a stock option plan per Note 2(j) and granted options to purchase 350,000 common shares of the Company to a director, an executive and two employees. All stock options are exercisable at a price of $0.50 and vest over varying periods of up to 3 years.

- Completed a non-brokered private placement through the issuance of 5,625,000 common shares at a price of $0.50 per share for gross cash proceeds of $2,812,500.

- Issued to Case Western Reserve an additional 162,659 common shares. This share issuance fulfilled the Company's final requirement to issue anti-dilution shares to Case Western Reserve.

- Entered into an engagement letter with Haywood Securities Inc. ("Haywood"), to act as lead agent for the Company in connection with a planned initial public offering of common shares ("IPO") and concurrent listing of the common shares of the Company on the TSX Venture Exchange. The Company has committed to pay Haywood a corporate finance fee of $40,000 in cash as well as Haywood's legal fees and other disbursements, not to exceed $60,000 without approval by the Company. On successful completion of the IPO, Haywood would also be entitled to a cash fee equal to 7% of the gross proceeds from the sale, and agent compensation options entitling Haywood to purchase common shares of the Company equal to 7% of the number of shares sold pursuant to the offering with an exercise price per agent compensation option, equal to the issue price. The agent compensation options will have a term of 24 months from the closing date.