

AMPD HOLDINGS CORP.

Condensed Consolidated Interim Statements of Financial Position

August 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

	Notes	August 31, 2019	May 31, 2019
Assets			
Current assets:			
Cash		\$ 106,926	\$ 106,176
Accounts receivable		1,746	34,423
Prepaid expenses		200	200
Inventory		-	-
		108,872	140,799
Equipment		175,780	1,010
		\$ 284,652	\$ 141,809
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 455,587	\$ 361,611
Convertible debt	5	398,769	379,515
Debt	5	230,016	153,467
		1,084,372	894,593
Shareholders' equity:			
Capital stock	6	501,372	325,086
Share option reserve		172,615	172,615
Foreign currency translation adjustment		(7)	(7)
Deficit		(1,473,700)	(1,250,478)
		(974,720)	(752,784)
		\$ 109,652	\$ 141,809

APPROVED ON BEHALF OF THE BOARD

<u>"Anthony Brown"</u>	Director
<u>"Ravinder Kang"</u>	Director

The accompanying notes are an integral part of these financial statements

AMPD HOLDINGS CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended August 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

		Three months ended August 31,	
		2019	2018
SALES	7	\$ 213,479	\$ 135,209
COST OF SALES		194,572	115,142
GROSS MARGIN		18,907	20,067
EXPENSES			
Advertising and promotion		500	–
Amortization		230	194
Bank charges		1,378	1,198
Consulting fees		148,028	67,397
Dues and subscriptions		571	30,000
Insurance		1,955	1,586
Office and miscellaneous		10,980	6,056
Professional fees		38,745	2,359
Share-based payments		-	23,000
Travel and entertainment		13,140	94
		215,527	131,884
OPERATING LOSS		(196,620)	(111,817)
FINANCE COSTS			
Interest expense	5	(26,616)	(13,345)
Loss on loan modification	5		
OTHER INCOME (EXPENSES)			
Other income			
Foreign exchange gain (loss)		14	(105)
LOSS BEFORE INCOME TAXES		(223,222)	(125,267)
Current income tax recovery			
NET LOSS		(223,222)	(125,267)
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment			
NET COMPREHENSIVE INCOME (LOSS)		\$ (223,222)	\$ (125,267)
Loss per common share			
– basic and diluted		\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		10,467,754	9,500,000

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AMPD HOLDINGS CORP.

Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended August 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

	Common Shares #	Common Shares \$	Share Option Reserve \$	Foreign Currency Translation Adjustment \$	(Deficit) \$	Total \$
BALANCE, MAY 31, 2018	9,500,000	300,086	86,250	(167)	(645,095)	(258,926)
Net loss and comprehensive loss	-	-	-	-	(125,267)	(125,267)
Conversion feature of convertible debt	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-
Share-based payments	-	-	23,000	-	-	-
BALANCE, AUGUST 31, 2018	9,500,000	300,086	109,250	(167)	(770,362)	(361,193)
Net loss and comprehensive loss	-	-	-	167	(480,116)	(479,956)
Conversion feature of convertible debt	-	-	32,615	-	-	32,615
Shares issued	31,646	25,000	-	-	-	55,750
Share-based payments	-	-	30,750	-	-	-
BALANCE, MAY 31, 2019	9,531,646	325,086	172,615	(7)	(1,250,478)	(752,784)
Net loss and comprehensive loss	-	-	-	-	(223,222)	(223,222)
Conversion feature of convertible debt	-	-	-	-	-	-
Shares issued	1,626,716	176,286	-	-	-	176,286
Share-based payments	-	-	-	-	-	-
BALANCE, AUGUST 31, 2019	9,531,646	501,372	172,615	(7)	(1,473,700)	(799,720)

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AMPD HOLDINGS CORP.

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended August 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

	Three Months Ended	
	August 31,	
	2019	2018
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	(223,222)	(125,267)
Adjustments for items not involving the use of cash:		
Amortization	230	194
Share-based payments		23,000
Accretion of interest for convertible debenture	8,154	
Accrued interest and finance costs	11,100	
Unrealized foreign exchange (gain) loss		
	(203,738)	(102,073)
Changes in non-cash working capital items:		
Accounts receivable	32,677	16,235
Prepaid expenses		
Inventory		12,250
Accounts payable and accrued liabilities	93,976	11,005
Cash flow used in operating activities	(77,085)	(62,583)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of equipment	-	-
	-	-
CASH FLOWS USED IN FINANCING ACTIVITIES		
Shares issued for cash	1,286	-
Convertible debt proceeds	-	250,000
Issues of long-term debt	100,000	-
Repayment of long-term debt	(23,451)	-
	77,835	250,000
INCREASE (DECREASE) IN CASH	750	187,417
EFFECT OF FOREIGN EXCHANGE ON CASH		
CASH, beginning of the year	106,176	71,934
CASH, end of the period	106,926	259,351
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	-	-
Interest paid	-	13,345
Assets acquired for shares	175,000	-

The accompanying notes are an integral part of these financial statements

AMPD HOLDINGS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended August 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

AMPD Holdings Corp. (“AMPD”), together with its subsidiary company AMPD Game Technologies US Inc. (“AMPD US”) (collectively referred to as the “Company”), is a Canadian technology solutions provider specializing in high-performance computing (HPC).

AMPD was incorporated on April 8, 2015 under the British Columbia Corporations Act. Its registered office is located at #500-329 Railway Street, Vancouver, British Columbia, V6A 1A4.

The Company has incurred losses since inception and as at August 31, 2019 has a working capital deficit of \$975,500 and an accumulated deficit of \$1,473,700. These condensed consolidated interim financial statements (“financial statements”) have been prepared on the basis of a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

The Company’s ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through public equity, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles as a going concern will be in doubt.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using the same accounting policies (except as noted below under “New accounting standards and interpretations”) and methods of computation as the Company’s annual financial statements for the year ended May 31, 2019. These financial statements do not include all of the notes and disclosures normally included in the Company’s annual financial statements should be read in conjunction with the Company’s annual financial statements for the year ended May 31, 2019.

These financial statements were approved and authorized for issue by the board of directors on November 19, 2019.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Adoption of New Accounting Pronouncements

The following is a summary of new accounting standards or amendments to standards that are effective for annual periods beginning on or after June 1, 2018 and which the Company has not previously applied in its annual financial statements. Adoption of these new standards or amendments did not have a material impact on these financial statements.

IFRS 2 – Share-based Payment (“IFRS 2”)

The amendments IFRS 2 clarify the accounting treatment of certain net settlement features, modifications that change the classification of payments from cash-settled to equity-settled, and the effects of vesting/non-vesting conditions on cash-settled share-based payments.

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IFRIC 22 – Foreign currency transactions and advance consideration (“IFRIC 22”)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency by requiring the date of the transaction for the purpose of determining the exchange rate to be the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Accounting Standards and Amendments Issued But Not Yet Effective

IFRS 16 – Leases (“IFRS 16”)

IFRS 16 was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact this standard may have on its financial statements.

IFRIC 23 - Uncertainty Over Income Tax Treatments (“IFRIC 23”)

IFRIC 23 clarifies application of the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently evaluating the impact this standard may have on its financial statements.

4. SIGNIFICANT EVENTS AND TRANSACTIONS

On January 24, 2019, the Company entered into non-binding letter of intent to obtain a public listing on the Canadian Securities Exchange whereby all of the Company's common shares will be acquired by another entity. During the three months ended August 31, 2019, the Company incurred \$38,285 in legal and other professional fees in connection with its intention to obtain a public listing.

5. LOANS PAYABLE

(a) Non-revolving Credit Facility

On October 13, 2017 the Company entered into a \$200,000 non-revolving credit facility agreement (the “Loan”) with Runway Finance Group Inc. (the “Lender”). The Loan bears interest at 16% per annum and matures on October 13, 2020. The Company paid \$8,018 in financing fees in connection with obtaining the Loan.

The Company is required to make interest plus monthly principal repayments of the greater of \$7,250 or 45% of proceeds received from customers of assigned contracts, as defined in the agreement, in a given month.

The Company provided the following as security:

- General security agreement charging all of the Company's assets;
- Assignment of the Company's May 31, 2018 and 2019 SRED refund claims; and
- Assignment of certain of the Company's sales contracts.

AMPD HOLDINGS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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The reconciliation of the carrying amount of the non-revolving credit facility is:

	Three Months Ended August 31 2019 \$	Year Ended May 31, 2019 \$
Carrying value, beginning of year	153,467	193,307
Net loan proceeds (repayments)	(21,750)	(41,848)
Interest expense at effective interest rate	6,139	32,662
Interest paid	(7,840)	(30,654)
	<hr/>	<hr/>
Carrying value, end of period	130,016	153,467

The Company is required to meet certain covenants imposed by the Lender which include a financial covenant to maintain a minimum net worth. As at August 31, 2019 and May 31, 2019, the Company was not in compliance with this financial covenant and accordingly the Loan has been classified as a current liability on the statement of financial position.

During the period ended August 31, 2019, the Company received a \$100,000 loan from AMPD Ventures Inc. Subsequent to August 31, 2019, the Company merged with AMPD Ventures Inc. via a corporate transaction to secure a public listing on the Canadian Securities Exchange. The loan is reported in short-term loans.

(b) Convertible Debt

On August 29, 2018, the Company issued a \$250,000 unsecured convertible promissory note ("Convertible Debt") to one of its principal shareholders who is also an officer and director of the Company. The Convertible Debt accrues interest at 12% per annum, compounded monthly in arrears. The principal and accrued interest are due and payable on August 29, 2021.

On May 1, 2019, the Company amended the maturity date of the unsecured convertible promissory note to May 1, 2020 and the conversion price to \$0.70 per common share, and issued an additional \$120,000 unsecured convertible promissory note to an unrelated party under the same terms (collectively, the "Convertible Debt").

The reconciliation of the carrying amount of the Convertible Debt is:

	Three Months Ended August 31 2019 \$	Year Ended May 31, 2019 \$
Balance, beginning of year	379,515	-
Net proceeds from issue	-	368,271
Equity component – value of conversion rights	8,154	(32,615)
Interest expense at effective interest rate	11,100	30,541
Loss on modification	-	13,318
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Balance, end of period	398,769	379,515

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6. SHARE CAPITAL

During the three months ended August 31, 2019, the Company issued 1,276,716 common shares in settlement of a prior stock option plan obligation, for proceeds of \$1,286 and 350,000 shares to acquire assets with an ascribed value of \$175,000. On October 5, 2018, the Company issued 31,646 common shares at \$0.79 per share for gross proceeds of \$25,000.

Share Purchase Option Plan

Pursuant to a share purchase option plan dated March 26, 2018, a maximum of 2,000,000 unissued common shares are available for share purchase options that may be granted from time to time. Share purchase options are granted at an exercise price not less than the estimated market value of the Company's common shares on the date of the grant and generally vest over four years from the grant date.

On March 27, 2018, the Company granted 1,000,000 common share purchase options with an exercise price of \$0.25 per share and a term to expiry of 6 years to consultants of the Company. 50% of the options vested immediately and 50% vested on January 1, 2019. The weighted average grant date fair value of the share purchase options granted during the year ended May 31, 2018 was estimated at \$0.14, using the Black-Scholes option pricing model and the following inputs and assumptions: Share price, \$0.25; Exercise price, \$0.25; Risk-free interest rate, 2.07%; expected volatility, 58.25%; and expected years of option life, 6 years.

The effects of early exercise were incorporated into the estimate of the expected life of the share purchase options. Expected volatility was estimated by reference to public companies operating in a similar industry, commensurate with the expected life of the options. No other features of the options granted affected the calculation of grant date fair value.

On May 15, 2019, the consultants to whom these share purchase options were granted consented to their cancellation. There are no share purchase options outstanding as at August 31, 2019, nor May 31, 2019.

7. SALES AND RELIANCE ON MAJOR CUSTOMERS

The Company's sales by category are:

	Three Months Ended August 31 2019 \$	Three Months Ended August 31 2018 \$
Hardware sales and installation	162,410	29,595
Software licensing fees	16,609	19,997
Hosting fees	33,729	66,887
Support and maintenance	592	10,878
Other	139	7,852
	<u>213,479</u>	<u>135,209</u>

During the three months ended August 31, 2019, sales to two of the Company's customers amounted to 45% and 22%, respectively, for a combined total of 67% of sales. For the three months ended August 31, 2018, sales to four of the Company's customers amounted to 22%, 12%, 11%, and 11%, respectively, for a combined total of 56% of sales.

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The digital media and computer technology industry is highly competitive and there is no guarantee that the Company could easily replace these customers should it cease selling products and services to them. One of these customers cancelled their contract with the Company in December 2018.

8. OPERATING SEGMENT DISCLOSURES

The Company operates in one industry segment in both Canada and the United States of America. The Company's assets are solely located in Canada. A breakdown of the Company's sales by geographical area is as follows:

	Canada	United States	Total
	\$	\$	\$
Three months ended August 31, 2019	213,479	-	213,479
Three months ended August 31, 2018	130,021	5,188	135,209

9. EVENTS AFTER THE REPORTING PERIOD

On October 23, 2019, the Company announced that it had completed its corporate transaction and would commence trading on the Canadian Securities Exchange, effective the next business day, under the symbol AMPD. The Company also announced the issue of 900,000 stock options at a price of \$0.35 per option.

On November 4, 2019, the Company announced that it was listed on the Frankfurt Stock Exchange, trading under the symbol 2Q0.

On November 4, 2019, the Company announced the issue of 700,000 stock options at a price of \$0.50 per option.