BEXAR VENTURES INC.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

(Prepared by Management)

THREE-MONTH PERIOD ENDED DECEMBER 31, 2019

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors.

The Company’s independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established for a review of interim financial statements by an entity’s auditors.

BEXAR VENTURES INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019 and SEPTEMBER 30, 2019

(Expressed in Canadian dollars)

	Note	December 31, 2019	September 30, 2019
Assets			
Current Assets			
Cash and cash equivalents		$ 23,517	$ 913
Accounts receivable	4	159,501	42,449
Due from ACT360		-	8,006
		183,018	51,368
Customer lists and intangible assets	5	1	1
		$ 183,019	**$ 51,369**
Liabilitites			
Current Liabilities			
Accounts payable and accrued liabilities	9	$ 218,847	$ 171,273
Unearned revenue		105,696	6,727
Due to Kona Bay		27,871	17,781
Shareholder loan	9	-	10,000
		352,414	205,781
Promissory note payable	6	81,948	85,723
		434,362	291,504
Shareholders' Equity			
Share Capital	7	455,530	455,530
Deficit		(706,873)	(695,665)
Total Equity (Deficiency)		(251,343)	(240,135)
Total Liabilities and Shareholders' Equity		**$ 183,019**	**$ 51,369**

Economic Dependence - Note 13

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON February 28, 2020

"Dickson Hall"	*"Vincent Wong"*
Director	Director

The Accompanying Notes are an Integral Part of the Financial Statements

UNAUDITED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2019

(Expressed in Canadian dollars)

	Note	2019	2018
Sales		$ 139,513	$ 92,760
Expenses			
Accounting and legal	9	$ 5,722	$ 18,815
Consulting	9, 10	60,000	60,000
Corporate development		1,762	10,387
Foreign exchange loss (gain)		1,345	3,929
Interest expense	6	1,276	3,000
Regulatory and filing fees		2,687	7,540
Management fees	9	18,000	18,000
Selling office and general		3,882	4,879
Wages and benefits	9	56,047	49,961
		(150,721)	(176,511)
Net and comprehensive income (loss) for the period		**$ (11,208)**	**$ (83,751)**
Earnings (loss) per share		$ (0.00)	$ (0.01)
Weighed average number of common shares outstanding		6,993,931	6,053,788

The Accompanying Notes are an Integral Part of the Financial Statements

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2019

(Expressed in Canadian dollars)

		2019		2018
Operating Activities				
Net income (loss) for the period	$	(11,208)	$	(83,751)
Items not involving cash				
Interest accrued on promissory note payable		1,225		3,000
Changes in assets and liabilities				
Amounts receivable		(118,646)		(46,419)
Accounts payable and accrued liabilities		47,574		22,929
Unearned revenue		98,969		43,679
Due to Act 360		9,600		2,284
Due to Kona Bay		10,090		(3,559)
Cash used in operating activities - continuing operations		37,604		(61,837)
Financing Activities				
Issuance of common stock		-		166,333
Shareholder loan		(10,000)		-
Interest paid		(5,000)		-
Cash provided by financing activities		**(15,000)**		**166,333**
Net change in cash and cash equivalents		22,604		104,496
Cash and cash equivalents, beginning balance		913		713
Cash and cash equivalents, ending balance	**$**	**23,517**	**$**	**105,209**

The Accompanying Notes are an Integral Part of the Financial Statements

BEXAR VENTURES INC.

UNAUDITED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2019

(Expressed in Canadian dollars)

	Share Capital			
	Number of Shares	Amount	Deficit	Total Shareholders' Equity
Balance at September 30, 2018	5,330,601	$ 292,701	$ (393,653)	$ (100,952)
Private placements	1,663,330	166,333	-	166,333
Loss for the period	-	-	(83,751)	(83,751)
Balance at December 31, 2018	6,993,931	$ 459,034	$ (477,404)	$ (18,370)
Share issue costs	-	(3,504)	-	(3,504)
Loss for the period	-	-	(218,261)	(218,261)
Private placements			-	-
Loss for the period	-	-	(11,208)	(11,208)
Balance at December 31, 2019	**6,993,931**	**$ 455,530**	**$ (706,873)**	**$ (251,343)**

The Accompanying Notes are an Integral Part of the Financial Statements

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Bexar Ventures Inc. (the "Company") was incorporated under the provisions of the Company Act of British Columbia on January 31, 2017, as a wholly owned subsidiary of Kona Bay Technologies Inc. ("Kona Bay").

The Company is a software development company that specializes in online testing platforms for training and high-stakes applications. The Company designs, develops and manages the platform for higher education clients with multiple campus locations and complex requirements. The address of the Company's corporate office and its principal place of business is 8186 200 – 375 Water Street, Vancouver, BC, V6B 0M9.

On February 28, 2017, the Company entered into an Arrangement Agreement (the "Agreement") with Kona Bay, ACT360 Media Ltd. ("ACT360") and Hapuna Ventures Inc. ("Hapuna") for the purposes of carrying out a corporate restructuring by way of a Plan of Arrangement (the "Arrangement" or the "POA") pursuant to Section 288 of the Business Corporations Act (British Columbia). On December 13, 2017, the POA closed and the software-as-a-service assets were transferred to the Company by Kona Bay and ACT360 and 4,761,199 common shares of the Company were issued to Kona Bay. In conjunction with the closing of the POA, the Company consolidated its common shares on the basis of one post-consolidation common share for every two pre-consolidation common shares. On December 14, 2017, Kona Bay exchanged the 4,761,199 common shares of the Company for the Class A shares outstanding as of December 13, 2017.

On March 27, 2018, the Company obtained a listing on the Canadian Stock Exchange under the symbol "BXV".

These financial statements have been prepared on a going concern basis, assuming 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 a deficit of $706,873 since inception. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating commitments as they come due and generating profitable operations in the future. These conditions indicate the existence of material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB. b)

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are set out in Note 3 to the annual audited financial statements of the Company as at September 30, 2019.

c) Presentation and Functional Currency

These financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Company.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in Note 3 to the annual audited Financial Statements as of and for the year ended September 30, 2019, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies. These condensed interim financial statements as at and for the three-month period ended December 31, 2019 have been prepared in accordance with the policies described in the annual audited Financial Statements, which have been applied consistently to these financial statements.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions of the Company are set out in Note 3 to the annual audited Financial Statements as of and for the year ended September 30, 2019, which are also incorporated herein by reference.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Recent Accounting Pronouncements

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16") which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company went through the process and identified no contracts that might be relevant under the new standard. The Company has not early adopted the new standard.

4. AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

	December 31, 2019	September 30, 2019
Trade accounts receivable	$ 145,572	$ 32,922
Recoverable goods and services / harmonized sales tax	13,929	9,527
	$ 159,501	$ 42,449

(Expressed in Canadian dollars)

5. INTANGIBLE ASSETS

	Customer Relationships – Software Development	Customer Relationships – Hosting	Total
Cost			
September 30, 2017	$ -	$ -	$ -
Transfer on closing of Arrangement	100,000	100,000	200,000
September 30, 2018	100,000	100,000	200,000
Accumulated amortization and impairment			
September 30, 2017	-	-	-
Amortization expense	-	-	-
Impairment provision	99,999	100,000	199,999
September 30, 2018	99,999	100,000	199,999
Net book value			
December 31, 2019	$ 1	$ -	$ 1
September 30, 2019	$ 1	$ -	$ 1

Customer Relationships

The Company acquired relationships with custom test software application development and website and application hosting customers from ACT360 upon closing of the Arrangement on December 13, 2017 for a $200,000 promissory note payable to ACT360 bearing interest at 6% per annum and due on the third anniversary of the promissory note. See Notes 6.

Revenue relating to these assets has decreased by approximately 23% over the last three years and the Company is economically dependent on a single customer. Given that management is not in a position to be able to estimate the future cash flows attributable to the customer relationships with any degree of certainty, the assets were written down to a nominal amount of $1 at September 30, 2018.

(Expressed in Canadian dollars)

6. PROMISSORY NOTE PAYABLE

On closing of the Arrangement, the Company executed a promissory note in favour of ACT360 in the principal amount of $200,000 with a maturity date of December 13, 2020. Interest is calculating and accruing daily at 6% per annum from the date of issue, payable on a semi-annual basis commencing on June 13, 2018. The promissory note may be negotiated, assigned, discounted or pledged by ACT360. The amount payable consists of the following:

		December 31, 2019		**September 30, 2019**
Principal	$	200,000	$	200,000
Accrued interest		21,509		20,284
Repayment of principal		(119,000)		(119,000)
Repayment of interest		(20,561)		(15,561)
Total	$	81,948	$	85,723

At September 30, 2019, the fair value of the promissory note payable was approximately $85,000 (2018 – $204,000). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the promissory note as an asset. Present value was calculated using the following attributes – semi-annual interest payments of $2,430 (2018 - $6,000), repayment of $81,000 (2018 - $200,000) principal at maturity, 11 months (2018 – 27 months) to maturity and a discount rate of 6% discounted annually.

7. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common shares and preferred shares without par value. Common and/or preferred shares are entitled to receive dividends if and when they are declared by the Board of Directors.

During the three-month period ended December 31, 2019, there were no changes to the Company's share capital.

During the year ended September 30, 2019, the Company completed the following:

- On November 20, 2018, the Company completed a private placement consisting of 1,663,330 Units at a price of $0.10 per unit for gross proceeds of $166,333. Each unit consisted of one common share of the company and one common share purchase warrant entitling the holder to purchase one additional share at 10 cents per share for a period of one year from the date of issuance. Share issuance costs of $3,504 were incurred in connection with this private placement.

Pursuant to an escrow agreement dated February 28, 2018, 1,386,429 common shares and 575,000 warrants of the Company were deposited with an escrow agent. 25% of the common shares and warrants were released from escrow on the Company's listing date with the Canadian Stock Exchange. At September 30, 2019, 623,894 shares (September 30, 2018 - 1,039,822) and 258,750 warrants (September 30, 2018 - 431,250) were being held in escrow. These shares and warrants will be released in equal instalments 6, 12 and 18 months after the listing date.

Pursuant to a subscription agreement and a voluntary pooling agreement dated February 28, 2018 (the "closing date"), 1,825,000 common shares and 1,825,000 warrants of the Company were delivered to a trustee. At September 30, 2019, 730,000 shares and 730,000 warrants were being held in the pool. These shares and warrants will be released as follows: 15% on the first day of the fiscal quarter six months after the closing date, 15% on the first day of each of the next five fiscal quarters and 10% on the first day of the sixth fiscal quarter.

(Expressed in Canadian dollars)

8. WARRANTS

Warrant transactions related to the private placements completed during the year are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2019	4,613,330	$ 0.10
Expired on November 20, 2019	(1,663,330)	0.10
Outstanding, December 31, 2019	2,950,000	$ 0.10

The following table summarizes information about warrants outstanding at December 31, 2019:

Expiry Date	Exercise Price Per Share	Outstanding
February 28, 2023	$0.10	2,400,000
July 23, 2023	$0.10	550,000
		2,950,000

See Note 7.

9. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key personnel and the compensation costs for key personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties. The remuneration of the Company's directors and other key management was as follows during the quarters ended December 31, 2019 and 2018:

		December 31, 2019	December 31, 2018
Management salary	(a)	$ 15,096	$ 12,534
Consulting fees	(b)	30,000	30,000
Accounting fees	(c)	4,500	2,500
		$ 49,596	$ 45,034

(a) Management salary of $15,096 (2018 - $12,534) was allocated by ACT360 with respect to the Company's VP of Development.

(b) Consulting fees of $30,000 (2018 - $13,500) were paid or accrued to a director of the Company.

(c) Accounting fees of $4,500 (2018 - $2,500) were paid or accrued to a company controlled by the Chief Financial Officer of the Company.

As at December 31, 2019, $105,000 (September 30, 2019 - $73,500) were owing to key management personnel for fees and expenses and the amounts were included in accounts payable. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

On December 15, 2017, the Company entered into a Management Administrative Services Agreement (the "MASA") with Kona Bay for the purpose of providing certain management and administrative services to the Company. Pursuant to the MASA:

- The Company will pay a monthly service fee that will be reviewed and mutually agreed upon prior to the start of each fiscal year on October 1st;

- The MASA terminated on September 30, 2019. The arrangement is currently in effect on a month-to-month basis;
- For the quarter ended December 31, 2019 and year ended September 30, 2019, the monthly service fee would range from $4,000 to $8,000 commensurate with corporate activity;
- $95,000 would be paid as reimbursement for Arrangement spin-out expenses.

During the quarter ended December 31, 2019, the Company paid or accrued $18,000 (2018 - $18,000) to Kona Bay.

The balance due from ACT360 at September 30, 2019 consists of revenue collected by ACT360 from the Company's clients on the Company's behalf, net of expenses incurred by ACT360 on the Company's behalf.

The balance due to Kona Bay at December 31, 2019 and September 30, 2019 consists of expenses incurred by Kona Bay on behalf of the Company.

A shareholder's loan of $10,000 was advanced by a director of the Company as of September 30, 2019. It was fully repaid during the quarter ended December 31, 2019.

These balances are unsecured, non-interest bearing and have no specific terms of repayment.

10. COMMITMENT

On December 15, 2017, the Company entered into a Consulting Agreement (the "CA") with a consultant for the purpose of serving as the Company's special projects advisor to assist the CEO with corporate development, M&A and finance as the Company executes its growth by acquisition program. Pursuant to the CA:

a. The Company will pay a monthly retainer to be mutually agreed upon; and
b. Either party may terminate the CA with 30 days written notice.

During the period ended December 31, 2019, the Company incurred $30,000 (2018 - $30,000) in consulting fees.

11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares of $455,530. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, meet financial obligations, have sufficient capital to achieve and maintain profitable operations and to provide returns for shareholders and benefits for other stakeholders. As at December 31, 2019, the Company had working capital deficiency of $169,396 (September 30, 2019: $154,413) and requires additional capital. Management expects to raise such additional capital during the current fiscal year.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company holds balances in United States dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the United States dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately $11,000, as detailed below:

United States Dollar Denominated Balances		December 31, 2019		September 30, 2018
Trade accounts receivable	$	110,000	$	24,860
10% change in exchange rate impact	**$**	**11,000**	**$**	**2,486**

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and trade accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at December 31, 2019 relating to cash and cash equivalents of $23,517 (September 30, 2019: $913) held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date. The Company has gross credit exposure at December 31, 2019 relating to trade accounts receivable of $145,486 (September 30, 2019: $24,860). Trade accounts receivable at December 31, 2019 and September 30, 2019, were due from one customer. The Company considers this credit risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. They key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's objective is to ensure that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company will prepare annual capital expenditure budgets which will be regularly monitored and updated as necessary.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	Between 3 & 12 months	Between 1 & 3 years	Total
December 31, 2019				
Accounts payable and accrued liabilities	$ 218,847	$ -	$ -	$ 218,847
Due to Kona Bay	-	27,871	-	27,871
Promissory note payable	948	-	81,000	81,948
	$ 219,795	$ 27,871	$ 81,000	$ 328,666
September 30, 2019				
Accounts payable and accrued liabilities	$ 171,273	$ -	$ -	$ 171,273
Due to Kona Bay	-	17,781	-	17,781
Shareholder's loan	-	10,000	-	10,000
Promissory note payable	2,955	1,768	81,000	85,723
	$ 174,228	$ 29,549	$ 81,000	$ 284,777

13. ECONOMIC DEPENDENCE

During the year ended September 30, 2019, approximately 89% (period ended September 30, 2018 – 89%) of the Company's revenue was generated from one (2018 - one) customer. The loss of a material amount of revenue from this customer could have a material adverse effect on operations.

14. EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated its activities subsequent to December 31, 2019 and has determined that there are no material events to be reported.