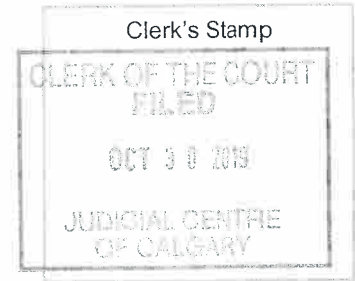


[Rule 6.3]

COURT FILE NUMBER 1801-16809
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT ROBERT KULHAWY
RESPONDENT COMMERX HOLDINGS LLC and LOTUS INNOVATIONS PRIVATE EQUITY FUND also known as LOTUS INNOVATIONS LLC and COMMERX CORPORATION



DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Burstall LLP
Barristers & Solicitors
1600, 333 – 7 Avenue SW
Calgary, AB T2P 2Z1
Scott Chimuk, counsel for the Applicant, Robert Kulhawy
Telephone: (403) 999-9817
Fax: (403) 266-6016
Email: scottchimuk@burstall.com

File No. 41052

AFFIDAVIT OF ROBERT KULHAWY

Sworn on October 30, 2019

I, Robert Kulhawy, businessman, of the City of Calgary, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am an individual residing in the Province of Alberta and am the founder and Chief Executive Officer and President of Commerx Corporation (the "**Company**") and as such I have personal knowledge of all facts and matters deposed to herein, except where stated to be based on information and belief, in which case I believe same to be true.
2. On January 5, 2016, the Company and Fortitude Financial Investments Inc. ("**Fortitude**") entered into a loan agreement (the "**Loan Agreement**") whereby Fortitude advance a

loan to the Company in the amount of \$1,000,000.00 USD (the "**Fortitude Loan**"). Attached hereto and marked as **Exhibit "A"** is a copy of the Loan Agreement.

3. On December 30, 2016, the Company, Fortitude, and I entered into a settlement agreement wherein all debt was converted into equity, the terms of which are set out in the debt conversion agreement (the "**Debt Conversion Agreement**").
4. Debt Conversion Agreement included the following express or implied terms:
 - (a) Fortitude would accept 1,148,381 Class "F" Preferred Shares in the capital of the Company;
 - (b) The Fortitude Loan would be extinguished;
 - (c) The Company would be released from and against all obligations arising from the Loan Agreement;
 - (d) I would be released from and against all obligations arising from the guarantee I provided in connection with the Loan Agreement; and
 - (e) The Debt Conversion Agreement constituted the entire agreement between the parties.

Attached hereto and marked as **Exhibit "B"** is a copy of the Debt Conversion Agreement.

5. The Debt Conversion Agreement was entered into along with a series of agreements related to a share purchase transaction which was negotiated by STS Capital Partners ("**STS**"). STS was paid \$385,000.00 USD for its services. Moreover, STS was provided 600,000 common shares in the Company or 10.6% of the Company's total common shares as additional compensation. Robert Follows, the Applicant's affiant, is the founding Chairman and Chief Executive Officer of STS.
6. It was the intention of the parties to convert the Debt into equity. This intention was executed by the parties entering into the Debt Conversion Agreement. The intention of

the parties to convert the debt to equity, and the execution of that intention, is confirmed in the Company's financial statements.

7. Attached hereto and marked as **Exhibit "C"** is the Consolidated Financial Statement of the Company for the year ending June 30, 2016. The Fortitude Loan is recorded in Exhibit "C", on page 7 under the heading, note 6 Loans Payable, as:

Loan secured by general security agreements, unlimited guarantees from company and guarantees from co-borrower bearing interest at 18% per annum, maturing at July 5, 2018.

8. Attached hereto and marked as **Exhibit "D"** is the Consolidated Financial Statement of the Company for the year ending June 30, 2017. Page 8 of Exhibit D provides:

Loan secured by general security agreements, unlimited guarantees from company and guarantees from co-borrower bearing interest at 18% per annum, originally maturing at July 5, 2018. *Prior to maturity, the loan was converted to equity in the form of preferred shares.* See note 7 (emphasis added).


Note 7, which is located at Page 7 of Exhibit D, records the 1,148,381 shares granted to Fortitude by way of the Debt Conversion Agreement as Class F preferred non-voting shares.

9. Attached hereto and marked as **Exhibit "E"** is the Consolidated Financial Statement of the Company for the year ending June 30, 2018. Page 8 of Exhibit "E", which records the Company's Loans Payable, no longer includes the Fortitude Loan as it was converted into equity in the previous year. This is confirmed at page 7 of Exhibit "E" which continues to record the 1,148,381 shares granted to Fortitude by way of the Debt Conversion Agreement as Class F preferred non-voting shares.
10. Further, Fortitude's counsel confirmed in an email dated August 10, 2017 that Fortitude was an equity shareholder. This correspondence made no indication of Fortitude's allegations today that they are creditors of the Company. Attached hereto and marked as **Exhibit "F"** is a copy of the August 10, 2017 email correspondence.

11. For all of the aforesaid reasons, the Fortitude Loan was extinguished along with Fortitude's position as a creditor of the Company by way of the Debt Conversion Agreement. Concurrently, Fortitude became an equity shareholder of the Company by way of the Debt Conversion Agreement.

12. I make this Affidavit in response to Fortitude's Appeal of Notice of Disallowance filed October 21, 2019 and for no improper purpose.

SWORN BEFORE ME at Calgary, Alberta, this
30th day of October 2019.



Commissioner for Oaths in and for Alberta

)
)
)
)
)
)
)

ROBERT KULHAWY

Jasmin Dhaliwal
A Commissioner for Oaths - Notary Public
in and for the Province of Alberta.
Member of the Law Society of Alberta and
My Appointment Expires at the Pleasure of
The Attorney General for the Province of Alberta

EXHIBIT "A"

Jaemin Dhaliwal
A Commissioner for Oath - Notary Public
in and for the Province of Alberta.
Member of the Law Society of Alberta and
Notary Public in and for the Province of Alberta
The Attorney General for the Province of Alberta

THIS IS EXHIBIT "A"
referred to in the Affidavit of
ROBERT KULHAWY
Sworn before me this 30
day of OCTOBER A.D. 2019
A Commissioner in and for the Province of Alberta

LOAN AGREEMENT

This Loan Agreement ("**Agreement**"), dated as of January 5, 2016 and is made between **COMMERX CORPORATION**, an Alberta corporation, as borrower ("**Borrower**") and **FORTITUDE FINANCIAL INVESTMENTS INC.**, as lender ("**Lender**")

RECITALS:

WHEREAS Lender has agreed to provide Borrower with a loan in the amount of **ONE MILLION UNITED STATES DOLLARS (US\$1,000,000.00)** pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the making of the Loan (as defined below) and of these premises and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged by the parties, Lender and Borrower covenant and agree as follows:

**ARTICLE 1
DEFINITIONS**

The following terms when used in this Agreement, shall have the meanings indicated in this Article:

- 1.1 "**Change of Control**" means the Guarantor shall cease to beneficially, directly or indirectly, hold or exercise control or direction over and/or have the right to hold or exercise control or direction over (whether such right is exercisable immediately or only after the passage of time) more than 50% of the issued and outstanding voting shares of Borrower.
- 1.2 "**Closing Date**" means the date on which the conditions precedent set forth in Article IV have been satisfied or waived by Lender.
- 1.3 "**Effective Date**" means the date first written above.
- 1.4 "**Events of Default**" are defined in Article V.
- 1.5 "**Governmental Authority**" means any applicable local, provincial, state, commonwealth, federal, foreign, territorial, or other judicial or governmental department, commission, board, bureau, agency, authority or instrumentality.
- 1.6 "**Guarantee**" means the Unconditional Guarantee dated on or about the date hereof, given by Guarantor to Lender, as additional security for the Loan.
- 1.7 "**Guarantor**" means Robert E Kulhawy.
- 1.8 "**Indebtedness**" means all present and future obligations and indebtedness of a Person, whether direct or indirect, absolute or contingent, including all indebtedness for borrowed money, all obligations which are due and payable in respect of swap or hedging arrangements and all other liabilities which in accordance with GAAP would appear on the liability side of a balance sheet (other than items of capital, retained earnings and surplus or deferred tax reserves).
- 1.9 "**Laws**" means all means all applicable provisions of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of any level of any Governmental Authority.

- 1.10** "**Loan Documents**" means this Agreement, the Guarantee, the Security Agreement, and any and all other agreements, documents, financing statements, and instruments executed and delivered pursuant to the terms of this Agreement, and any future amendments hereto, or restatements hereof, together with any and all renewals, extensions, and restatements of, and amendments and modifications to, any such agreements, documents, and instruments.
- 1.11** "**Material Adverse Effect**" means a material adverse effect on the condition (financial or otherwise), property, assets, operations, business or prospects of the Obligors taken as a whole, or a material adverse effect on the ability of the Obligors taken as a whole to repay the Obligations or on the ability of an Obligor to perform its obligations under any of this Agreement or any other Loan Document to which it is a party.
- 1.12** "**Maturity Date**" means the date falling eighteen months after the Effective Date.
- 1.13** "**Obligations**" means all obligations, indebtedness, liabilities, covenants, agreements, and undertakings of Borrower to Lender (including but not limited to principal, interest and all costs on a full indemnity basis) incurred pursuant to or in connection with the Loan Documents.
- 1.14** "**Obligors**" means Borrower and the Guarantor.
- 1.15** "**Person**" means any natural person, corporation, firm, joint venture, partnership, corporation, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.
- 1.16** "**Security Agreements**" means a mortgage duly registered in each applicable jurisdiction, over real property situated at:
- Calgary:
107 Pump Hill Cres SW, Calgary AB T2V 4P4
Legal Description: 7510392;32;3
- Sicamous:
703, 326 Mara Lake Lane, Sicamous BC V0E 2V1
Strata Lot 53, Unit 703, Strata Plan EPS104, D.L 496, Kamloops Division Yale District
- to be given by Guarantor to Lender as security for its obligations under the Guarantee.
- 1.17** "**Security Interest**" means a mortgage, charge, floating charge, pledge, hypothec, assignment, lien, interest claim, encumbrance, conditional sale agreement or other title retention agreement or other security interest or arrangement of any kind intended to create a security interest in substance, regardless of whether the Person creating the interest retains an equity of redemption, and any agreement to provide or enter into at any time or on the happening of any event such a security interest or arrangement.
- 1.18** "**Taxes**" means all taxes, assessments, fees, levies, imposts, duties, deductions, withholdings or other charges of any nature whatsoever from time to time or at any time imposed by any Laws or by any Governmental Authority.

ARTICLE 2
LOAN: TERMS OF PAYMENT

- 2.1 Loan.** By and subject to the terms of this Agreement, Lender agrees to lend to Borrower and Borrower agrees to borrow from Lender the principal sum of **ONE MILLION UNITED STATES DOLLARS (US\$1,000,000.00)** (the "**Loan**"). The obligations of Borrower under the Loan will be guaranteed in whole or in part by pursuant to the Guarantee. Amounts disbursed to or on behalf of Borrower pursuant to the Loan shall be used to finance general corporate purposes of Borrower.
- 2.2 Loan Interest.** The amount of the Loan outstanding at any time, and from time to time, and any overdue interest, shall bear interest at the rate of 18% per annum, both before and after maturity, demand and judgment. If an Event of Default has occurred, then for and during the duration of any such Event of Default, then the Loan outstanding, and any overdue interest, shall bear interest at the rate of 24% per annum. Borrower and Lender agree that such interest is a payment of liquidated damages, which are a genuine pre-estimate of the damages which Lender will suffer or incur as a result of an Event of Default, and Borrower irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive or a penalty.
- 2.3 Loan Repayment.** Principal and accrued interest on the Loan shall be all due and payable on the Maturity Date. The Loan and all accrued interest shall, if demanded by Lender, be immediately due and payable prior to maturity, upon the occurrence of an Event of Default.
- 2.4 Loan Documents.** Borrower shall deliver to Lender concurrently with this Agreement the Security Agreement, the Guarantee and any other Loan Documents.
- 2.5 Interest Act Canada.** Each interest rate which is calculated under this Agreement on any basis other than a full calendar year (the "**Deemed Interest Period**") is, for the purposes of the *Interest Act* (Canada), equivalent to a yearly rate calculated by dividing such interest rate by the actual number of days in the Deemed Interest Period, then multiplying such result by the actual number of days in the calendar year (365 or 366).
- 2.6 Maximum Returns.** In the event that any provision of this Agreement would oblige Borrower to make any payment of interest or any other payment which is construed by a court of competent jurisdiction to be interest in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted *nunc pro tunc* to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by Lender, of interest at a criminal rate.
- 2.7 Prepayment.** The Loan may be prepaid in whole or in part (subject to the notice periods provided hereunder) only upon payment of an amount (which Lender and Borrower agree is a genuine pre-estimate of damages and not a penalty) equal to three (3) months' interest calculated on the amount prepaid provided that in connection with any prepayment of the Loan at any time prior to six (6) months after the advance thereof, Borrower shall pay to Lender such additional amount (which Lender and Borrower agree is a genuine pre-estimate of damages and not a penalty) equal to the aggregate amount of cash interest that Borrower would have been required to pay under the Loan with respect to the principal amount of the Loan prepaid during the period from the date of such prepayment to and including the date falling six (6) months after the advance thereof if such principal had not been so repaid.

2.8 **Conditions Precedent.** Lender's obligation to make the disbursement of the Loan shall be subject to satisfaction of each of the following conditions precedent:

- (a) Lender shall have received fully executed originals of all Loan Documents, including the Guarantee and any other documents, instruments, policies, and other materials requested by Lender under the terms of this Agreement or any of the other Loan Documents provided that Borrower shall have sixty (60) days from the date of this Agreement to provide the Security Agreements in form and substance satisfactory to Lender with all registrations in all applicable jurisdictions and legal opinions respecting such Security Agreements as Lender may reasonably require.
- (b) There shall exist no Event of Default as defined in this Agreement or any of the other Loan Documents or any event, omission or failure of condition which would constitute a Default after notice or lapse of time, or both.
- (c) The representations and warranties contained in the Loan Documents are and will continue to be true and correct in every material respect as if made by each Obligor contemporaneously with the advance of the Loan.
- (d) All priority agreements, Personal Property Security Act acknowledgments, comfort letters or estoppel certificates from other secured creditors of the Obligors, that Lender may reasonably require will have been duly executed and unconditionally delivered by all parties thereto.
- (e) Lender will have completed and be satisfied with the results of its financial, business, legal and other due diligence enquiries including the corporate, capital, tax, legal and management structure and cash management systems of the Obligors, and will be satisfied, in its sole judgment, with the nature and status of all securities, environmental, health and safety matters, organizational and capital structure matters involving or affecting the Obligors.
- (f) Lender will have received any financial statements, reports and other information relating to the Obligors, that it will have reasonably requested.
- (g) An event or circumstance having a Material Adverse Effect will not have occurred.
- (h) Lender will have received payment in full of all fees and out of pocket expenses paid by or incurred by Lender in connection with the Loan Documents (including reasonable fees and expenses of legal counsel to Lender).
- (i) STS Capital Services Inc. will have received, duly executed and in form and substance satisfactory to it a retainer agreement with respect to the proposed sale of all or part of the Guarantor's shares in the capital of Newterra Ltd. or any of its affiliates;
- (j) Lender will have received, duly executed and in form and substance satisfactory to it:
 - (i) a copy of the constating documents, partnership agreement and borrowing by laws, as applicable, of each Obligor, and a copy of the resolutions of the board of directors of each Obligor authorizing the execution, delivery and performance of the Loan Documents, certified in each case by a senior officer of such Obligor

and ratified where necessary by its respective shareholders or partners, as applicable;

- (ii) a certificate as to general corporate or partnership, as applicable, information and other matters for each Obligor, which will contain a statement of the names of the officers and directors of each Obligor and the specimen signatures of those officers who will execute and deliver the Loan Documents on behalf of such Obligor to Lender; and
- (iii) any additional supporting documents that Lender or its counsel may reasonably request.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender, as follows:

- 3.1 Organization and Standing.** Borrower is a corporation duly incorporated and validly subsisting under the laws of the Province of Alberta. Borrower has full corporate power and authority to conduct its business as presently conducted, and Borrower has the full power and authority to enter into and perform its obligations under the Loan Documents and to carry out the transactions contemplated hereby and thereby.
- 3.2 Authority.** The execution, delivery and performance by Borrower of the Loan Documents to which it is a party, and the consummation by Borrower of the transactions contemplated by the Loan Documents to which it is a party, have been duly authorized by Borrower. The Loan Documents to which Borrower is a party have been duly executed and delivered by, and constitute valid and binding obligations of Borrower enforceable against it in accordance with their respective terms, subject as to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting generally the enforcement of creditors' rights and subject to a court's discretionary authority with respect to the granting of a decree ordering specific performance or other equitable remedies.
- 3.3 Noncontravention.** The execution of and performance of the transactions contemplated by the Loan Documents to which Borrower is a party and compliance with the provisions hereof by Borrower will not (a) conflict with or violate any provision of the organizational documents of Borrower, (b) require on the part of Borrower any filing with, or any permit, authorization, consent or approval of, any court, arbitral, Governmental Authority, administrative agency or commission or other Governmental Authority, (c) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, any contract, lease, sublicense, license, sublicense, franchise, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, Security Interest or other arrangement to which Borrower is a party or by which Borrower is bound or to which its assets are subject, (d) result in the imposition of any Security Interest upon any assets of Borrower other than in favor of Lender or (e) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Borrower or any of its properties or assets.
- 3.4 Governmental Consents.** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of Borrower in connection with the execution and delivery of the Loan Documents.

- 3.5 **Compliance.** Borrower has, in all material respects, complied with all laws, regulations and orders applicable to its present and proposed business and has all material permits and licenses required thereby.
- 3.6 **Litigation.** Except as disclosed to Lender in writing, there are no claims, actions, suits, or proceedings pending, or to Borrower's knowledge threatened, against any Obligor.
- 3.7 **Tax Returns, Payments and Elections.** Borrower has filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects.
- 3.8 **Financial Condition.** All financial statements and information heretofore and hereafter delivered to Lender by Borrower, including, without limitation, information relating to the financial condition of Borrower, the partners, joint venturers or members of Borrower, and/or Guarantor, fairly and accurately represent the financial condition of the subject thereof and have been prepared (except as noted therein) in accordance with generally accepted accounting principles consistently applied. Borrower acknowledges and agrees that Lender may request and obtain additional information from third parties regarding any of the above, including, without limitation, credit reports.
- 3.9 **Disclosure.** Neither this Agreement nor any other statements, documents or certificates made or delivered in connection herewith or therewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.
- 3.10 **Continuing Nature of Representations and Warranties.** Each of the representations and warranties of Borrower contained in this Agreement shall survive the execution of the Loan Agreement, and shall be continuing until such time as all Obligations shall have been fully paid.

ARTICLE 4 AFFIRMATIVE COVENANTS OF BORROWER

While this Agreement is in effect, Borrower covenants and agrees as follows unless Lender shall otherwise have consented in writing (such consent not to be unreasonably withheld or delayed):

- 4.1 **Taxes.** Borrower shall promptly pay, or cause to be paid, when due and payable, any and all Taxes assessed against Borrower, or which are or become payable by Borrower, as and when due and payable, except those taxes which it contests in good faith and for which adequate reserves have been established.
- 4.2 **Changes in Facts or Circumstances.** Borrower shall promptly notify Lender of any material change in any fact or circumstance represented or warranted by Borrower in this Agreement or any of the Loan Documents.
- 4.3 **Further Assurances.** Upon Lender's request and at Borrower's sole cost and expense, Borrower shall, and shall cause any person or entity affiliated with Borrower to, execute, acknowledge and deliver any other instruments, including replacement promissory notes, guaranties or other loan documents, and perform any other acts necessary, desirable or proper, as determined by Lender, to correct clerical errors or omissions in any loan closing documentation, to replace any lost or destroyed loan closing documentation, or to carry out the purposes of this Agreement and the other Loan Documents or to perfect and preserve any liens and security titles created by the Loan Documents. This obligation shall survive any foreclosure or sale of any of the collateral for the Loan.

- 4.4 Assignment.** Without the prior written consent of Lender, Borrower shall not assign Borrower's interest under any of the Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void. In this regard, Borrower acknowledges that Lender would not make this Loan except in reliance on Borrower's expertise, reputation, prior experience in developing and constructing real property, Lender's knowledge of Borrower, and Lender's understanding that this Agreement is more in the nature of an agreement involving personal services than a standard loan where Lender would rely on security which already exists.
- 4.5 Indemnity.** Borrower hereby agrees to defend, indemnify and hold harmless Lender, its directors, officers, employees, agents, successors and assigns for, from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including, without limitation, attorneys' fees and expenses) which Lender may incur as a direct or indirect consequence of: (a) the purpose to which borrower applies the Loan proceeds; (b) the failure of Borrower to perform any obligations as and when required by this Agreement or any of the other Loan Documents; (c) any failure at any time of any of Borrower's representations or warranties to be true and correct; or (d) any act or omission by Borrower, any constituent partner or member of Borrower. The foregoing indemnitees shall be entitled to appear in any action or proceeding with counsel of their own choice, and/or to settle or compromise any claim asserted against them. Borrower shall immediately pay to any indemnitee upon demand any amounts owing under this indemnity, together with interest from the date the indebtedness arises until paid at the rate of interest applicable to the principal balance of the note. Borrower's duty and obligations to defend, indemnify and hold harmless the indemnitees described herein shall survive cancellation of the Loan Agreement and repayment of the Obligations.
- 4.6 Notice of Default.** Borrower shall promptly notify Lender in writing of any condition or event known to Borrower which constitutes an Event of Default under this Agreement, or any of the other Loan Documents or which, with or without the giving of notice or the lapse of time or both, would constitute any such Event of Default, and of any litigation or threatened litigation.
- 4.7 Loan Documents.** Each Obligor shall abide by, perform and be governed and restricted by, each and every one of the terms and provisions of the Loan Documents and any supplement or amendment thereto or any instrument which may, at any time or from time to time, be executed by one or more of the parties hereto. Each of the Loan Documents shall be in form and substance acceptable to Lender.
- 4.8 Additional Covenants.**
- (a) Borrower will pay to Lender when due all amounts (whether principal, interest or other sums) owing by it to Lender from time to time.
 - (b) Borrower will maintain its valid existence as a corporation or partnership, as the case may be, and in all material respects, will maintain all licenses and authorizations required from regulatory or governmental authorities or agencies to permit it to carry on its business, including, without limitation, any licenses, certificates, permits and consents for the protection of the environment.
 - (c) Borrower will maintain its books of account and records relative to the operation of its business and financial condition in accordance with GAAP.
 - (d) Borrower will provide any information regarding its assets, operations and financial condition that Lender may from time to time reasonably require.

- (e) Borrower will maintain and defend title to all of its property and assets, will maintain, repair and keep in good working order and condition all of its property and assets and will continuously carry on and conduct its business in a proper, efficient and businesslike manner.
- (f) Borrower will maintain types and amounts of insurance satisfactory to Lender with Lender shown as first loss payee on any property insurance covering any assets on which Lender has security and additional insured, as its interest may appear, on all liability insurance, and promptly advise Lender in writing of any significant loss or damage to its property, and each Loan Party will provide evidence of insurance to Lender:
 - i) in situations where Lender has taken a fixed charge on an asset or property whether on real property or personal property; and
 - ii) in all other situations, on request.

Lender reserves the right to conduct an independent review of Borrower's insurance coverage, at the reasonable expense of Borrower.
- (g) Borrower will permit Lender, by its officers or authorized representatives at any reasonable time and on reasonable prior notice, to enter its premises and to inspect its plant, machinery, equipment and other real and personal property and their operation, and to examine and copy all of its relevant books of accounts and records.
- (h) Borrower will not create or permit to exist any mortgage, charge, lien, encumbrance or other security interest on any of its present or future assets, other than as permitted by Lender.
- (i) Borrower will not create, incur, assume or allow to exist any Indebtedness other than:
 - i) trade payables incurred in the ordinary course of business;
 - ii) any Indebtedness secured by a Security Interest approved by Lender; and
 - iii) any Indebtedness owing to Lender.
- (j) Borrower will not sell, assign, transfer, convey, lease (as lessor), contribute or otherwise dispose of, or grant options, warrants or other rights with respect to any assets except:
 - i) inventory sold, leased or disposed of in the ordinary course of business, and
 - ii) obsolete equipment which is being replaced with equipment of an equivalent value.
- (k) Borrower will not provide financial assistance (by means of a loan, guarantee or otherwise) to any Person other than as permitted under clause (i) above.
- (l) Borrower will not pay any amount to or for the benefit of shareholders or Persons associated with shareholders (within the meaning of the *Business Corporations Act* (Alberta)), whether by way of salaries, bonuses, dividends, management fees, repayment of loans or otherwise:

- i) following the occurrence of and during the continuance of any event which constitutes a breach of any provision hereof or an Event of Default; or
 - ii) if making such payment would reasonably be expected to result in a breach of any provision hereof or an Event of Default.
- (m) Borrower will not redeem, purchase or otherwise acquire, retire or pay out any of its present or future share capital.
 - (n) Borrower will not consent to or facilitate a Change of Control other than as consented to in writing by Lender.
 - (o) Borrower will comply with all Laws.
 - (p) Borrower will not enter into any transactions with its subsidiaries or affiliates for goods or services unless entered into on commercially reasonable terms.

ARTICLE 5 EVENTS OF DEFAULT

Borrower shall be in default of this Agreement if any one or more of the following events (each an, "**Events of Default**") shall occur for any reason whatsoever (whether such occurrence shall be voluntary or involuntary or come about or be affected by operation of law or pursuant to or in compliance with any judgment, decree, order, rule or regulation of any Governmental Authority) and such event shall remain uncured for fifteen (15) calendar days after Borrower has received written notice of such default from Lender:

- 5.1 If there shall occur a default under this Agreement due to a failure to make payment(s) of principal or interest as provided for herein;
- 5.2 If an Obligor shall fail or refuse to punctually and properly perform, observe and comply with any covenant, term, agreement, obligation or condition contained in this Agreement or other Loan Document to which it is a party;
- 5.3 If any statement, representation or warranty in this Agreement or any of the Loan Documents or in any writing in any other communication delivered to Lender pursuant to the Loan Documents is false, misleading or erroneous in any material respect at the time made or thereafter;
- 5.4 If any default shall have occurred and is continuing in respect of any Indebtedness of an Obligor (other than Indebtedness owing to Lender) which results in the acceleration of the payment of such Indebtedness or which permits the holder thereof to accelerate the payment of such Indebtedness and if there is a grace period applicable thereto arising under contract or otherwise, such default continues beyond the expiry of such grace period or if any lender shall demand repayment of any Indebtedness owed to it by such Obligor which is repayable on demand and such Indebtedness shall not be paid on or before the date specified by such lender for payment, and the aggregate principal amount of all such Indebtedness is at least \$100,000;
- 5.5 If any other creditor of any Obligor takes collection steps against such Obligor or all or a material part of its assets;

- 5.6 If final judgment or judgments should be entered against any Obligor for the payment of any amount of money exceeding \$100,000, and the judgment or judgments are not discharged within 30 days after entry;
- 5.7 If a Change of Control has occurred;
- 5.8 If an order is made, an effective resolution passed, or a petition is filed for the winding up the affairs of any Obligor or if a receiver or liquidator of any Obligor or any part of its assets is appointed;
- 5.9 If any Obligor is unable to pay its debts as they become due or makes a general assignment for the benefit of its creditors or an assignment in bankruptcy or files a proposal or notice of intention to file a proposal under the Bankruptcy and Insolvency Act or otherwise acknowledges its insolvency or if a bankruptcy petition is filed or receiving order is made against any Obligor and is not being disputed in good faith;
- 5.10 If any Obligor ceases or threatens to cease to carry on its business;
- 5.11 If any of the licences, permits or approvals granted by any Governmental Authority or agency and material to the business of any Obligor is withdrawn, cancelled, suspended or adversely amended;
- 5.12 If any event or circumstance occurs which has or would reasonably be expected to have a Material Adverse Effect;
- 5.13 If any provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms, or an Obligor asserts in writing that this has happened; or any Security Interest created under any Security Agreement ceases to be a valid and perfected security interest having a first priority ranking in any of the property purported to be covered by that security interest, which is not rectified or otherwise dealt with to the satisfaction of Lender within a period of 10 days.

ARTICLE 6

RIGHTS OF LENDER UPON THE OCCURRENCE OF AN EVENT OF DEFAULT

- 6.1 **Remedies for an Event of Default.** On the occurrence of an Event of Default, Lender may exercise any or all of the following rights and remedies as Lender may deem necessary or appropriate in its absolute discretion:
 - (a) Lender may declare immediately due and payable the outstanding balance of the Loan and all other Obligations, as defined in the Loan Documents, and all monies advanced to or for the account of Borrower pursuant to this Agreement and/or any other of the Loan Documents, which are then unpaid, and Lender may accelerate payment thereof notwithstanding any contrary terms of payment stated therein;
 - (b) Lender may foreclose or otherwise enforce any and all liens granted to Lender to secure the payment and performance of the Loan Agreement and the other Obligations;
 - (c) Lender may set off any and all amounts due by any Obligor against any indebtedness or obligation of Lender to any Obligor;

(d) Lender may exercise any and all of Lender's other rights and remedies under any of the Loan Documents or applicable law.

- 6.2 Waivers.** No waiver by Lender of any Event of Default shall be deemed to be a waiver of any other then-existing or subsequent Event of Default. No delay or omission by Lender in exercising any right, power or remedy of Lender under any of the Loan Documents shall impair such right, remedy or power or be construed as a waiver thereof, and no single or partial exercise of any such right, remedy or power shall preclude any other or further exercise thereof, or the exercise of any other right, remedy or power under the Loan Documents or otherwise.
- 6.3 Cumulative Rights and Remedies.** The rights, remedies and powers provided to Lender in this Agreement and the Loan Documents shall be cumulative of and not in substitution for any other right, remedy or power provided to Lender under this Agreement, the other Loan Documents or at law or in equity, all of which rights, remedies and powers are specifically reserved by Lender. The failure or refusal of Lender to exercise any right, remedy or power herein provided shall not preclude the resort to any other right, remedy or power available to Lender or prevent the subsequent or concurrent resort to any other right, remedy or power which by law or equity shall be vested in Lender for the recovery of damages or otherwise in the event of the occurrence of any Event of Default under any of the Loan Documents.

ARTICLE 7 MISCELLANEOUS

- 7.1 Headings.** The headings and captions used in any of the Loan Documents are for convenience only and shall not be deemed to limit, amplify or modify the terms and conditions of the Loan Documents or affect the meaning thereof.
- 7.2 Additional Documents.** Borrower agrees to execute, acknowledge and deliver to Lender such other and further assurances and documents as Lender shall require to cure or eliminate any omission, mistake or ambiguity in any or all of the Loan Documents. Failure to enumerate in this Agreement any documents or other items required shall not be deemed to be a waiver of the requirement that such documents or items be furnished to Lender.
- 7.3 Number and Gender of Words.** For the purposes of this Agreement, the singular shall be deemed to include the plural, and the neuter shall be deemed to include the masculine and the feminine as the context may require.
- 7.4 Notices.** Whenever this Agreement requires or permits any consent, approval, notice, request or demand from one party to another, such consent, approval, notice, request or demand must be in writing to be effective and shall be deemed to have been given by the sending party and received by the receiving party when hand delivered to the person(s) designated below for the receiving party, sent by recognized overnight carrier service such as Federal Express or UPS, or when mailed to the receiving party at the address(es) stated below (or at such other address as may be designated by written notice), postage prepaid, by certified mail of the United States, return receipt requested. The address of each party for the purposes hereof is as follows:

BORROWER: [Insert address]

LENDER: Fortitude Financial Investments Inc.
4 Robert Specks Parkway Suite 1500

Mississauga ON L4Z1S1
Canada

- 7.5 **Form and Number of Documents.** Each agreement, document, instrument or other writing to be furnished to Lender under any provision of this Agreement must be in form and substance and in such number of counterparts as may be satisfactory to Lender.
- 7.6 **Survival.** All covenants, agreements, undertakings, representations and warranties made in any of the Loan Documents shall survive all closings under the Loan Documents.
- 7.7 **Governing Law.** This Agreement shall be governed by the laws of Alberta. Each of the Obligor and Lender irrevocably and unconditionally agree that any suit, action or other legal proceeding (collectively, a "Suit") instituted by Lender and arising out of this Agreement shall be brought and adjudicated only in Alberta, and each Obligor waives and agrees not to assert by way of motion, as a defence or otherwise at any such Suit, any claim that such Obligor is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper.
- 7.8 **Attorneys' Fees.** If any attorney is engaged by Lender to enforce or defend any provision of this Agreement, any of the other Loan Documents or as a consequence of any Event of Default, with or without the filing of any legal action or proceeding, and including, without limitation, any fees and expenses incurred in any bankruptcy proceeding or in connection with any appeal of a lower court decision, then Borrower shall immediately pay to Lender, upon demand, the amount of all attorneys' fees and expenses and all costs incurred by Lender in connection therewith. In the event of legal proceedings, court costs and attorneys' fees shall be set by the court and shall be included in any judgment obtained by Lender.
- 7.9 **No Joint Venture.** Borrower and Lender do not intend, and neither this Agreement nor any of the other Loan Documents shall be construed, to create a partnership or a joint venture relationship between Borrower and Lender
- 7.10 **Invalid Provisions.** If any covenant, term or condition of any of the Loan Documents is held to be illegal, invalid or unenforceable under any present or future Laws effective during the term thereof, such covenant, term or condition shall be fully severable; such Loan Document shall be construed and enforced as if such illegal, invalid or unenforceable covenant, term or condition had never comprised a part thereof; and the remaining covenants, terms and conditions in such Loan Document shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable covenant, term or condition or by its severance therefrom.
- 7.11 **Entirety and Amendments.** This Agreement, together with the other written instruments referred to herein, embody the entire agreement between the parties relating to the subject matter hereof, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by Borrower and Lender and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.
- 7.12 **Joint and Several Liability.** If Borrower consists of more than one natural persons and/or entities, the liability of each of them for Borrower's obligations under this Agreement and the Loan Documents shall be joint and several.

- 7.13 **Multiple Counterparts.** This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute, collectively, one agreement; but in making proof of this Agreement, it shall not be necessary for Borrower or Lender to produce or account for more than one (1) such counterpart.
- 7.14 **Parties Bound.** This Agreement shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns; provided that Borrower may not, without the prior written consent of Lender, assign this Agreement or any of its rights, duties, or obligations hereunder, such consent to be granted in Lender's sole discretion and will not release Borrower from its obligations under the Loan Documents. No term or provision of this Agreement shall inure to the benefit of any entity other than Borrower, Lender and their respective successors and assigns; consequently, no entity other than Borrower, Lender and their respective successors and assigns shall be entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of Borrower or Lender to perform, observe or comply with any such term or provision.
- 7.15 **Time.** Time is of the essence of each and every term of this Agreement.
- 7.16 **No Third Parties Benefited.** No person other than Lender and Borrower and their permitted successors and assigns shall have any right of action under any of the Loan Documents.
- 7.17 **Actions.** Borrower agrees that Lender, in exercising the rights, duties or liabilities of Lender or Borrower under the Loan Documents, may commence, appear in or defend any action or proceeding purporting to affect the Project or the Loan Documents and Borrower shall immediately reimburse Lender upon demand for all such expenses so incurred or paid by Lender, including, without limitation, attorneys' fees and expenses and court costs

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURES APPEAR ON THE FOLLOWING PAGES]

IN WITNESS WHEREOF, Borrower and Lender have duly executed this Agreement as of the day and year first above written.

BORROWER:

COMMERX CORPORATION

By:  _____

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM THE PREVIOUS PAGE]

LENDER:

FORTITUDE FINANCIAL INVESTMENTS INC.

By: _____

Name: _____

Title: _____

EXHIBIT "B"

DEBT CONVERSION AGREEMENT

THIS DEBT CONVERSION AGREEMENT (this "Agreement") is made effective as of the 30th day of December, 2016.

BETWEEN:

FORTITUDE FINANCIAL INVESTMENTS INC., a corporation existing pursuant to the laws of The Cayman Islands (the "Creditor")

- and -

COMMERX CORPORATION, a corporation existing under the laws of the Province of Alberta (the "Corporation")

- and -

ROBERT E. KULHAWY, an individual resident in the City of Calgary in the Province of Alberta ("Kulhawy")

WHEREAS:

- A. the Corporation is indebted to the Creditor in the aggregate amount of USD\$1,148,380.51 (the "Debt") pursuant to a loan agreement dated as of January 5, 2016 (the "Loan Agreement");
B. Kulhawy has executed and delivered a personal guarantee dated as of January 5, 2016 pursuant to which Kulhawy agreed to guarantee all of the indebtedness (including the Debt), liabilities and obligations of the Corporation under the Loan Agreement (the "Guarantee"); and
C. the Creditor has agreed to accept 1,148,381 Class "F" Preferred Shares in the capital of the Corporation (the "Conversion Shares") at an issue price of USD \$1.00 per share in exchange for the extinguishment of the Debt;

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties hereto, the parties hereto hereby agree as follows:

- 1. Extinguishment of Debt. On and subject to the provisions of this Agreement and concurrently with the execution and delivery of this Agreement, the Corporation shall issue the Conversion Shares to the Creditor in consideration for the extinguishment of the full amount of the Debt, and:
(a) the Creditor hereby accepts such issue of the Conversion Shares in full payment and satisfaction of the Debt; and
(b) the Debt is no longer due and payable or otherwise owing by the Corporation.
2. Fair Market Value. The parties hereto confirm that the fair market value of the Debt is equal to the fair market value of the Conversion Shares.

THIS IS EXHIBIT " B " referred to in the Affidavit of

ROBERT KULHAWY

Sworn before me this 30

day of OCTOBER A.D. 2016

[Signature] A Commissioner in and for the Province of Alberta

Jasmin Dhaliwal
A Commissioner for Oaths - Notary Public
in and for the Province of Alberta.
Member of the Law Society of Alberta and
My Appointment Expires at the Pleasure of
The Attorney General for the Province of Alberta

3. **Certificate.** The Corporation shall, concurrently with the execution and delivery of this Agreement, deliver to the Creditor a certificate issued to, and registered in the name of, the Creditor evidencing the Conversion Shares.

4. **Representations and Warranties of the Corporation.** The Corporation represents and warrants to the Creditor as follows and confirms that the Creditor is relying on the accuracy of each such representation and warranty in connection with the conversion of the Debt provided for in this Agreement:
 - (a) this Agreement constitutes a valid and binding obligation of the Corporation enforceable against it in accordance with its terms, subject to enforceability being limited by bankruptcy and other laws effecting the enforcement of creditors' rights generally, equitable remedies being discretionary remedies and rights to indemnification and contribution being limited by applicable laws;
 - (b) none of the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of or compliance with the terms and provisions hereof do or will, with the giving of notice, or the lapse of time or both, conflict with any of the terms, conditions or provisions of the articles or any by-laws of the Corporation or any resolutions of its directors or shareholders;
 - (c) the Corporation is a corporation validly existing and organized under the laws of the Province of Alberta and is presently in good standing with full corporate power to own its property and carry on its business as now being conducted; and
 - (d) the Conversion Shares have been validly authorized by the Corporation and, as a result of the conversion of the Debt pursuant to the terms of this Agreement, the Conversion Shares are validly issued as fully paid and non-assessable shares in the capital of the Corporation.

5. **Representations and Warranties of the Creditor.** The Creditor represents and warrants to the Corporation as follows and confirms that the Corporation is relying on the accuracy of each such representation and warranty in connection with the conversion of the Debt provided for in this Agreement:
 - (a) this Agreement constitutes a valid and binding obligation of the Creditor enforceable against it in accordance with its terms, subject to enforceability being limited by bankruptcy and other laws effecting the enforcement of creditors' rights generally, equitable remedies being discretionary remedies and rights to indemnification and contribution being limited by applicable laws;
 - (b) the Creditor is acquiring the Conversion Shares as principal for the Creditor's own account and not for the benefit of any other person;
 - (c) the Creditor is the beneficial owner of the Debt with good and marketable title thereto;
 - (d) no person other than the Corporation has any written or oral agreement or option, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option for the purchase of the Debt or any portion thereof;

- (e) the Creditor has not previously transferred, assigned or otherwise conveyed or agreed to transfer, assign or otherwise convey the Debt or any portion thereof or any interest therein to any person; and
 - (f) the Creditor is a "non-resident" of Canada within the meaning and for the purposes of the *Income Tax Act* (Canada).
6. **Releases.** Upon completion of the issuance of the Conversion Shares, the Creditor does hereby irrevocably release and discharge:
- (a) the Corporation from and against any and all obligations and liabilities arising under or in connection with the Loan Agreement other than those obligations and liabilities that survive the termination of the Loan Agreement pursuant to its terms; and
 - (b) Kulhawy and his successors, administrators and assigns from and against any and all obligations and liabilities arising under or in connection with the Guarantee.
7. **Survival of Warranties.** The covenants, representations and warranties of the parties hereto shall survive the closing of the transactions contemplated herein and remain in full force and effect for the exclusive benefit of the party hereto receiving such representation, warranty or covenant for the maximum period allowable under applicable law notwithstanding the closing of the transactions contemplated herein or any investigation made by or on behalf of such party.
8. **Further Assurances.** The parties hereto hereby agree to do, execute, acknowledge and deliver all such further and other deeds, assignments, transfers, conveyances, assurances, agreements and documents and shall cause such meetings to be held, votes cast, resolutions passed, by-laws enacted and shall do and perform all such other acts and things as may be necessary, desirable or appropriate to give effect to the intent of the parties hereto hereunder and to carry out the transactions contemplated by this Agreement.
9. **Recitals.** The parties hereto acknowledge and agree that the recitals to this Agreement are true and correct in substance and in fact and are hereby incorporated into and form an integral part of this Agreement.
10. **Headings, etc.** The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to a section refers to a specified section of this Agreement.
11. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties hereto, and supersedes all prior agreements and understanding between the parties hereto with respect to the specific matters described herein. There are not and shall not be any verbal **statements**, representations, warranties, undertakings or agreements between the parties hereto and this Agreement may not be amended or modified in any respect except by written instrument signed by each of the parties hereto.
12. **Time.** Time shall be of the essence of this Agreement.
13. **Governing Law.** This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties hereto shall be governed by, the laws of the Province of Alberta and the federal laws of Canada applicable therein, excluding reference


to conflicts of laws principles and each of the parties hereto attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta.

14. **Severability.** In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable, and the remainder of the provisions of this Agreement shall nevertheless remain in full force and effect.
15. **Currency.** All dollar amounts expressed herein refer to lawful currency the United States of America.
16. **Enurement.** This Agreement shall enure to the benefit of and be binding on the parties hereto and their respective and applicable heirs, executors, administrators, trustees, legal and personal representatives, successors and permitted assigns. This Agreement may not be assigned by either party hereto without the prior written consent of the other party.
17. **Waiver.** No amendment or waiver of any provision of this Agreement shall be binding on either party hereto unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver unless otherwise expressly provided.
18. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will constitute an original and all of which together will constitute one and the same agreement. Facsimile or scanned email copies of signatures shall for all purposes be treated as original signatures.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

**FORTITUDE FINANCIAL INVESTMENTS
INC.**

Per: 
Name: ROBERT FOLLOWS
Title: CHAIRMAN

COMMERX CORPORATION

Per: _____
Name:
Title:

Witness


ROBERT E. KULHAWY

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

**FORTITUDE FINANCIAL INVESTMENTS
INC.**


Per: _____
Name:
Title:

COMMERX CORPORATION

Per: 
Name:
Title:



Witness



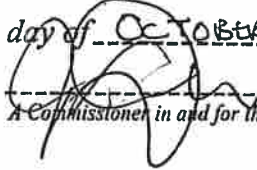
ROBERT E. KULHAWY

EXHIBIT "C"

Consolidated Financial Statements of

Commerx Corporation

June 30, 2016

THIS IS EXHIBIT " C "
referred to in the Affidavit of
 ROBERT KULTAWY
Sworn before me this 30
day of OCTOBER A.D. 20 19

A Commissioner in and for the Province of Alberta

Jasmin Dhaliwal
A Commissioner for Oaths - Notary Public
in and for the Province of Alberta.
Member of the Law Society of Alberta and
My Appointment Expires at the Pleasure of
The Attorney General for the Province of Alberta

Commerx Corporation

June 30, 2016

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CALWEST CPA
Chartered Professional Accountants

NOTICE TO READER

To the Directors of
of Commerx Corporation

On the basis of information provided by management, we have compiled the consolidated balance sheet of Commerx Corporation as at June 30, 2016 and the statement of loss and deficit for the year then ended.

We have not performed an audit or a review engagement in respect to these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purpose.

CalWest Chartered Professional Accountants
Calgary, Alberta
August 2, 2019

Commerx Corporation

Consolidated statement of loss and deficit

For the year ending June 30, 2016

(Unaudited - See Notice to Reader)

(Stated in Canadian dollars)

	2016	2015
	\$	\$
Sales	7,582,275	10,986,721
Cost of sales	5,805,705	(8,573,618)
Gross Profit	1,776,570	2,413,103
Expenses		
Advertising and promotion	13,962	51,138
Bad debts	-	9,882
Bank charges and interest	48,642	57,142
Communications	15,688	26,856
Computer support	39,380	73,646
Insurance	64,457	119,781
Memberships	17,117	38,960
Premises costs	154,374	156,917
Professional fees	74,339	218,186
Travel, entertainment and business development	159,559	129,840
Wages and employee benefits	1,263,950	1,565,266
	1,851,467	2,447,614
(Loss) earnings before other items	(74,898)	(34,511)
Other items		
Amortization	(58,298)	(76,376)
Interest and finance charges	(290,618)	(112,085)
Nonrecurring items (see note 8)	(2,615,471)	-
	(2,964,387)	(188,461)
Earnings before income taxes	(3,039,284)	(222,972)
Recovery of (provision for) income taxes	5,179	59,673
Net earnings	(3,034,106)	(163,299)
Deficit, beginning of year	(551,567)	(388,268)
Deficit, end of year	(3,585,673)	(551,567)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commerx Corporation

Consolidated balance sheet

as at June 30, 2016

(Unaudited - See Notice to Reader)

(Stated in Canadian dollars)

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	110,540	75,110
Accounts receivable and other	1,499,941	2,096,318
Prepaid expenses and deposit	157,579	57,004
Total Current Assets	1,768,060	2,228,432
Property and equipment (Note 3)	95,804	194,783
Goodwill	-	374,355
Intangible assets	-	406,215
Due from related party	-	401,799
Investments	-	20,620
Development costs	133,435	145,223
Total Assets	1,997,299	3,771,427
Liabilities		
Current liabilities		
Bank indebtedness (Note 4)	637,290	\$ 978,541
Accounts payable, accrued liabilities and statutory obligations	791,827	833,130
Current portion of loans payable (Note 6)	198,533	421,868
Total Current Liabilities	1,627,650	2,233,539
Loans payable (Note 6)	1,855,867	-
Total Liabilities	3,483,517	2,233,539
Commitments (Note 7)		
Shareholders' equity		
Share capital (Note 5)	2,099,455	2,089,455
Deficit	(3,585,673)	(551,567)
Total Liabilities and Shareholders' Equity	1,997,299	3,771,427

Approved by:

 Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commerx Corporation

Notes to consolidated financial statements

as at June 30, 2016

(Unaudited - See Notice to Reader)

(Stated in Canadian dollars)

1 Basis of presentation

These consolidated financial statements include the accounts of Commerx Corporation ("the Company") and its wholly owned subsidiary Commerx US Inc.

Prior year financial statements were prepared by other accountants on a review engagement basis and as such have been reclassified to conform to this year's presentation.

2 Nature of operations

The company is comprised of three operating lines of business:

Digital Technology Solutions division provides digital strategy and technology solutions to North American organizations in both the private and public sectors. **Telecom Services division** provides specialized telecommunications services to the Global telecommunications industry. **Workforce Management division** provides specialized staffing services to the global telecommunications industry.

3 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the amounts of wholly owned subsidiaries of the company. The company has applied Accounting Guideline 15, Consolidation of Variable Interest Entities, to the corporation. The guideline requires a VIE to be consolidated if a company is at risk of absorbing the VIE's expected losses or is entitled to receive the majority of its expected residual returns, or both.

Foreign currency translation

The company's U.S. subsidiary, Commerx US Inc is classified as integrated foreign operations and, as such, are translated into Canadian dollars using the temporal method, whereby monetary items are translated at the rate of exchange in effect at the consolidated balance sheet date and

non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the average rates prevailing during the year. All translation gains and losses are included in the net income (loss).

Property and equipment

Property and equipment are recorded at cost and amortized using the declining-balance method at the following rates, which estimate useful lives of the assets:

Computer hardware	30%
Tools	50%
Furniture and fixtures	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Income taxes

The company follows the taxes payable method of accounting for income taxes. Under this method, only current incomes for the period, determined in accordance with the rules established by taxation authorities, are recognized as an expense.

Revenue recognition

The company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured. Revenue is recorded using the percentage of completion method for individual contracts. When the outcome of a contract can be reliably estimated, contract revenue is recognized in proportion to the stage of completion of the contract at the end of the reporting period. The stage of completion is determined by reference to the proportion of costs incurred to date in comparison to the estimated total costs of the contracts. Contract expenses are recognized as incurred unless they create an asset related to future contract activity, in which case they are reported as unexpired expenses on the consolidated balance sheet. If estimates indicate that total contract costs will exceed total contract revenue; the full amount of the expected loss is recognized immediately in the consolidated statement of income (loss) and retained earnings (deficit). Any excess of progress billings over earned revenue on contracts is carried as costs in excess of related billings on the consolidated balance sheet. Any excess of costs and estimated profits over progress billings on contracts is carried as deferred revenue in the consolidated financial statements.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the company becomes party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at the amortized cost except for derivative assets (liabilities)

(see financial derivative instruments policy). Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transactions related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight line method. Any premium or discount related to an instrument measured at amortized cost is amortized net income (loss) over the expected life of the item using the straight-line method and recognized in net profit (loss) as interest income or expense. With respect to financial assets measured at cost or amortized cost, the Company recognizes in net profit (loss) an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. With the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in net profit (loss) in the period the reversal occurs.

Use of estimates

The preparation of the consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated balance sheet. The valuation for doubtful accounts, the impairment and economic useful lives of property and equipment and intangible assets for purposes of calculating amortization, accrued liabilities, and income tax provisions are the most significant items subject to estimates in these consolidated financial statements. These estimates are reviewed at least annually and, as adjustments become necessary, they are reported in net profit (loss) in the periods in which they become known.

4 Bank indebtedness

The company has a demand line of credit with a maximum available amount of \$1,000,000 bearing interest at the bank's prime rate plus 2% per annum, secured by a general security agreement constituting a first ranking security interest in all personal property of the Company a shareholder guarantee. As at June 30, 2016, \$637,290 (2015 - \$978,541) was drawn on the facility.

5 Share capital

Authorized, unlimited number of

Class A common shares with no par value

Class G preferred redeemable retractable non-voting shares

Issued	2016	2015
	\$	\$
5,608,751 (2015 - 5,588,750)	1,013,136	1,003,136
1,086,319 (2015 - 1,086,319)	1,086,319	1,086,319
	2,099,455	2,089,455

6 Loans payable

Loan secured by general security agreements, unlimited guarantees from Commerx US Inc., postponement of claims, and subordinated to the lender bearing interest at prime plus 10% per annum, repayable in monthly payments of \$18,202 principal plus interest, maturing March 16, 2018.

2016	2015
\$	\$

246,570	421,868
---------	---------

Loan secured by general security agreements, unlimited guarantees from company and guarantees from co-borrower bearing interest at 18% per annum, maturing at November 30, 2016.

400,000	-
---------	---

Loan secured by general security agreements, unlimited guarantees from company and guarantees from co-borrower bearing interest at 18% per annum, maturing at July 5, 2018.

1,407,830	-
-----------	---

Less: current portion

2,054,400	421,868
(198,533)	(421,868)
1,855,867	-

7 Commitments

The company has entered into premises lease agreements expiring May 31, 2020. The minimum annual lease payments are as follows:

2017	73,200
2018	73,200
2019	73,200
2020	67,100

8 Nonrecurring items

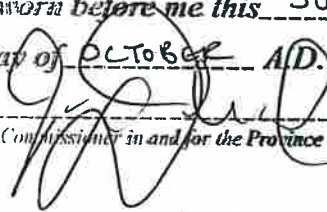
As part of a restructuring plan put in place in 2016 during the execution of a share purchase agreement, during the year the company made adjustments to various assets and liabilities as write downs and write offs that were deemed to have \$NIL value and no expectations to conversion to cash. During the year \$2,615,471 was written off.

EXHIBIT "D"

Consolidated Financial Statements of

Commerx Corporation

June 30, 2017

THIS IS EXHIBIT " D "
referred to in the Affidavit of
ROBERT KULHAWY
Sworn before me this 30
day of OCTOBER A.D. 2019

A Commissioner in and for the Province of Alberta

Jasmin Dhaliwal
A Commissioner for Oaths - Notary Public
in and for the Province of Alberta.
Member of the Law Society of Alberta and
My Appointment Expires at the Pleasure of
The Attorney General for the Province of Alberta

Commerx Corporation

June 30, 2017

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CALWEST CPA
Chartered Professional Accountants

NOTICE TO READER

To the Directors of
of Commerx Corporation

On the basis of information provided by management, we have compiled the consolidated balance sheet of Commerx Corporation as at June 30, 2017 and the statement of loss and deficit for the year then ended.

We have not performed an audit or a review engagement in respect to these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purpose.

CalWest Chartered Professional Accountants
Calgary, Alberta
August 2, 2019

Commerx Corporation
Consolidated statement of loss and deficit
For the year ending June 30, 2017
(Unaudited - See Notice to Reader)
(Stated in Canadian dollars)

	2017	2016
	\$	\$
Sales	5,319,163	7,582,275
Cost of sales	3,917,967	5,805,705
Gross Profit	1,401,196	1,776,570
Expenses		
Advertising and promotion	3,797	13,962
Bank charges and interest	20,315	48,642
Communications	8,075	15,688
Computer support	29,147	39,380
Insurance	72,934	64,457
Memberships	9,773	17,117
Premises costs	176,113	154,374
Professional fees	140,569	74,339
Travel, entertainment and business development	116,642	159,559
Wages and employee benefits	1,072,449	1,263,950
	1,649,814	1,851,467
(Loss) earnings before other items	(248,618)	(74,898)
Other items		
Monies withdrawn by Lotus	(241,289)	-
Amortization	(31,341)	(58,298)
Interest and finance charges	(132,984)	(290,618)
Nonrecurring items (see note 10)	103,971	(2,615,471)
	(301,643)	(2,964,387)
Earnings before income taxes	(550,261)	(3,039,284)
Recovery of (provision for) income taxes	-	5,179
Net earnings	(550,261)	(3,034,106)
Deficit, beginning of year	(3,585,673)	(551,567)
Deficit, end of year	(4,135,934)	(3,585,673)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commerx Corporation

Consolidated balance sheet

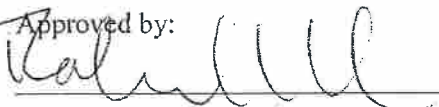
as at June 30, 2017

(Unaudited - See Notice to Reader)

(Stated in Canadian dollars)

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	207,643	110,540
Accounts receivable and other	1,687,897	1,499,941
Prepaid expenses and deposit	134,057	157,579
Total Current Assets	2,029,597	1,768,060
Property and equipment (Note 5)	78,801	95,804
Development costs	118,747	133,435
Total Assets	2,227,145	1,997,299
Liabilities		
Current liabilities		
Bank indebtedness (Note 6)	-	\$ 637,290
Accounts payable, accrued liabilities and statutory obligations	786,086	791,827
Current portion of loans payable (Note 8)	48,037	198,533
Total Current Liabilities	834,123	1,627,650
Long-term liabilities		
Loans payable (Note 8)	-	1,855,867
Total Liabilities	834,123	3,483,517
Commitments (Note 9)		
Shareholders' equity		
Share capital (Note 7)	6,031,585	2,099,455
Deficit	(4,135,934)	(3,585,673)
Total Liabilities and Shareholders' Equity	2,729,774	1,997,299

Approved by:



Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commerx Corporation

Notes to consolidated financial statements

as at June 30, 2017

(Unaudited - See Notice to Reader)

(Stated in Canadian dollars)

1 Basis of presentation

These consolidated financial statements include the accounts of Commerx Corporation ("the Company") and its wholly owned subsidiary Commerx US Inc.

Prior year financial statements were prepared by other accountants on a review engagement basis and as such have been reclassified to conform to this year's presentation.

2 Nature of operations

The company is comprised of three operating lines of business:

Digital Technology Solutions division provides digital strategy and technology solutions to North American organizations in both the private and public sectors. **Telecom Services division** provides specialized telecommunications services to the Global telecommunications industry. **Workforce Management division** provides specialized staffing services to the global telecommunications industry.

3 Significant events

Sale of shares to private equity group

On December 30, 2016 the company and CEO entered into a share purchase agreement with a private equity group for the sale of 51% of the voting shares of the company and the agreement was duly signed and fully executed. However, not all of the funds for the sale of the voting shares were received by the company or CEO. Certain other financial commitments as outlined in the share purchase agreement were not honoured. In addition, back office support services and business development support were committed by the private equity group but not effectively carried out.

Withdrawal of funds

During the year, the private equity group withdrew \$241,289 from the company's bank accounts and another \$1,248,885 in the subsequent year (2018).

4 Subsequent events

Breach of share purchase agreement

There have been material breaches by the private equity group pursuant to the share purchase agreement. Mainly, failure to pay for the shares, failure to carry out other financial commitments and failure to effectively provide back office support and business development services. As such, the company and CEO have commenced legal action to reclaim the voting shares currently held by the private equity group and to seek remedy for defaults as per the share purchase agreement and damages caused as a result thereof.

5 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the amounts of wholly owned subsidiaries of the company. The company has applied Accounting Guideline 15, Consolidation of Variable Interest Entities, to the corporation. The guideline requires a VIE to be consolidated if a company is at risk of absorbing the VIE's expected losses or is entitled to receive the majority of its expected residual returns, or both.

Foreign currency translation

The company's U.S. subsidiary, Commerx US Inc is classified as integrated foreign operations and, as such, are translated into Canadian dollars using the temporal method, whereby monetary items are translated at the rate of exchange in effect at the consolidated balance sheet date and non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the average rates prevailing during the year. All translation gains and losses are included in the net income (loss).

Property and equipment

Property and equipment are recorded at cost and amortized using the declining-balance method at the following rates, which estimate useful lives of the assets:

Computer hardware	30%
Tools	50%
Furniture and fixtures	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Income taxes

The company follows the taxes payable method of accounting for income taxes. Under this method, only current incomes for the period, determined in accordance with the rules established by taxation authorities, are recognized as an expense.

Revenue recognition

The company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured. Revenue is recorded using the percentage of completion method for individual contracts. When the outcome of a contract can be reliably estimated, contract revenue is recognized in proportion to the stage of completion of the contract at the end of the reporting period. The stage of completion is determined by reference to the proportion of costs incurred to date in comparison to the estimated total costs of the contracts. Contract expenses are recognized as incurred unless they create an asset related to future contract activity, in which case they are reported as unexpired expenses on the consolidated balance sheet. If estimates indicate that total contract costs will exceed total contract revenue; the full amount of the expected loss is recognized immediately in the consolidated statement of income (loss) and retained earnings (deficit). Any excess of progress billings over earned revenue on contracts is carried as costs in excess of related billings on the consolidated balance sheet. Any excess of costs and estimated profits over progress billings on contracts is carried as deferred revenue in the consolidated financial statements.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the company becomes party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at the amortized cost except for derivative assets (liabilities) (see financial derivative instruments policy). Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transactions related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight line method. Any premium or discount related to an instrument measured at amortized cost is amortized net income (loss) over the expected life of the item using the straight-line method and recognized in net profit (loss) as interest income or expense. With respect to financial assets measured at cost or amortized cost, the Company recognizes in net profit (loss) an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. With the extent of **impairment** of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in net profit (loss) in the period the reversal occurs.

Use of estimates

The preparation of the consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated balance sheet. The valuation for doubtful accounts, the impairment and economic useful lives of property and equipment and intangible assets for purposes of calculating amortization, accrued liabilities, and income tax provisions are the most significant items subject to estimates in these consolidated financial statements. These estimates are reviewed at least annually and, as adjustments become necessary, they are reported in net profit (loss) in the periods in which they become known.

6 Bank indebtedness

The company had a demand line of credit with a maximum available amount of \$1,000,000 bearing interest at the bank's prime rate plus 2% per annum, secured by a general security agreement constituting a first ranking security interest in all personal property of the Company a shareholder guarantee. As at June 30, 2017, \$NIL (2016 - \$637,290) was drawn on the facility. During the year, the company paid out and closed the demand line of credit.

7 Share Capital

Authorized, unlimited number of

Class A common shares with no par value

Class E preferred shares redeemable retractable non-voting shares

Class F preferred shares redeemable retractable non-voting shares

Class G preferred shares redeemable retractable non-voting shares

Issued	2017	2016
	\$	\$
5,610,137 (2016 - 5,608,751) Class A common shares	2,091,501	1,013,136
669,154 (2016 - 0) Class E preferred shares	650,000	-
1,148,381 (2016 - 0) Class F preferred shares	1,407,830	-
1,379,625 (2016 - 1,086,319) Class G preferred shares	1,379,625	1,086,319
	<u>5,528,956</u>	<u>2,099,455</u>

8 **Loans payable**

	<u>2017</u>	<u>2016</u>
	\$	\$
Loan secured by general security agreements, unlimited guarantees from Commerx US Inc., postponement of claims, and subordinated to the lender bearing interest at prime plus 10% per annum, repayable in monthly payments of \$18,202 principal plus interest, maturing March 16, 2018.	48,037	246,570
Loan secured by general security agreements, unlimited guarantees from company and guarantees from co-borrower bearing interest at 18% per annum, maturing at November 30, 2016. Loan was converted to equity in the form of preferred shares. See note 7.	-	400,000
Loan secured by general security agreements, unlimited guarantees from company and guarantees from co-borrower bearing interest at 18% per annum, originally maturing at July 5, 2018. Prior to maturity, the loan was converted to equity in the form of preferred shares. See note 7.	-	1,407,830
	<u>48,037</u>	<u>646,570</u>
Less: current portion	<u>(48,037)</u>	<u>(198,533)</u>
	<u>-</u>	<u>448,037</u>

9 **Commitments**

The company has entered into premises lease agreements expiring May 31, 2020. The minimum annual lease payments are as follows:

2018	73,200
2019	73,200
2020	67,100

10 Nonrecurring items

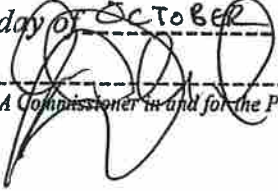
As part of a restructuring plan put in place in 2016 during the execution of a share purchase agreement, during the year the company made adjustments to various assets and liabilities as write downs and write offs that were deemed to have \$NIL value and no expectations of conversion to cash. During the year \$103,971 was recaptured.

EXHIBIT "E"

Consolidated Financial Statements of

Commerx Corporation

June 30, 2018

THIS IS EXHIBIT " E "
referred to in the Affidavit of
ROBERT KULHAWY
Sworn before me this 30
day of OCTOBER A.D. 2019

A Commissioner in and for the Province of Alberta

Jasmin Dhaliwal
A Commissioner for Oaths - Notary Public
in and for the Province of Alberta
Member of the Law Society of Alberta and
My Appointment Expires at the Pleasure of
The Attorney General for the Province of Alberta

Commerx Corporation

June 30, 2018

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CALWEST CPA
Chartered Professional Accountants

NOTICE TO READER

To the Directors of
of Commerx Corporation

On the basis of information provided by management, we have compiled the consolidated balance sheet of Commerx Corporation as at June 30, 2018 and the statement of loss and deficit for the year then ended.

We have not performed an audit or a review engagement in respect to these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purpose.

CalWest Chartered Professional Accountants
Calgary, Alberta
August 2, 2019

Commerx Corporation

Consolidated statement of earnings (loss) and deficit

For the year ending June 30, 2018

(Unaudited - see Notice to Reader)

(Stated in Canadian dollars)

	2018	2017
	\$	\$
Sales	9,604,076	5,319,163
Cost of sales	5,497,145	3,917,967
Gross Profit	4,106,931	1,401,196
Expenses		
Advertising and promotion	13,278	3,797
Bank charges and interest	21,561	20,315
Communications	14,102	8,075
Computer support	51,888	29,147
Insurance	68,500	72,934
Memberships	22,466	9,773
Premises costs	209,966	176,113
Professional fees	110,831	140,569
Travel, entertainment and business development	186,802	116,642
Wages and employee benefits	1,296,666	1,072,449
	1,996,060	1,649,814
(Loss) earnings before other items	2,110,871	(248,618)
Other items		
Monies withdrawn by Lotus	(1,248,885)	(241,289)
Loss on foreign exchange	(52,283)	-
Amortization	(316,098)	(31,341)
Interest and finance charges	(6,108)	(132,984)
Nonrecurring items (see note 9)	(119,907)	103,971
	(1,743,281)	(301,643)
Earnings before income taxes	367,590	(550,261)
Recovery of (provision for) income taxes	-	-
Net earnings	367,590	(550,261)
Deficit, beginning of year	(4,135,934)	(3,585,673)
Deficit, end of year	(3,768,344)	(4,135,934)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commerx Corporation

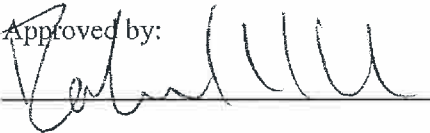
Consolidated balance sheet

as at June 30, 2018

(Unaudited - see Notice to Reader)

	2018	2017
	\$	\$
Assets		
Current assets		
Cash	373,235	207,643
Accounts receivable and other	1,953,783	1,687,897
Prepaid expenses and deposit	-	134,057
Total Current Assets	2,327,018	2,029,597
Due from Lotus / Halcyon	697,389	-
Property and equipment (Note 5)	179,640	78,801
Development costs	118,747	118,747
Total Assets	3,322,794	2,227,145
Liabilities		
Current liabilities		
Accounts payable, accrued liabilities and statutory obligations	1,059,553	786,086
Current portion of loans payable (Note 6)	-	48,037
Total Current Liabilities	1,059,553	834,123
Loans payable (Note 6)	-	-
Total Liabilities	1,059,553	834,123
Commitments (Note 8)		
Shareholders' equity		
Share capital (Note 7)	6,031,585	5,528,956
Deficit	(3,768,344)	(4,135,934)
Total Liabilities and Shareholders' Equity	3,322,794	2,227,145

Approved by:

 Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commerx Corporation

Notes to consolidated financial statements

as at June 30, 2018

(Unaudited - See Notice to Reader)
(Stated in Canadian dollars)

1 Basis of presentation

These consolidated financial statements include the accounts of Commerx Corporation ("the Company") and its wholly owned subsidiary Commerx US Inc.

Prior year financial statements were prepared by other accountants on a review engagement basis and as such have been reclassified to conform to this year's presentation.

2 Nature of operations

The company is comprised of three operating lines of business:

Digital Technology Solutions division provides digital strategy and technology solutions to North American organizations in both the private and public sectors. **Telecom Services division** provides specialized telecommunications services to the Global telecommunications industry. **Billing and Revenue Management Systems division** provides specialized project management and consulting services in the area of a multi-module stack of billing software systems to the North American telecommunications industry. **Workforce Management division** provides specialized staffing services to the global telecommunications industry.

3 Significant events

Sale of shares to private equity group

On December 30, 2016 the company and CEO entered into a share purchase agreement with a private equity group for the sale of 51% of the voting shares of the company and the agreement was duly signed and fully executed. However, not all of the funds for the sale of the voting shares were received by the company or CEO. Certain other financial commitments as outlined in the share purchase agreement were not honoured. In addition, back office support services and business development support were committed by the private equity group but not effectively carried out.

Withdrawal of funds

During the year, the private equity group withdrew \$1,248,885 from the company's bank accounts and another \$241,289 in the previous year (2017).

4 Subsequent events

Breach of share purchase agreement

There have been material breaches by the private equity group pursuant to the share purchase agreement. Mainly, failure to pay for the shares, failure to carry out other financial commitments and failure to effectively provide back office support and business development services. As such, the company and CEO have commenced legal action to reclaim the voting shares currently held by the private equity group and to seek remedy for defaults as per the share purchase agreement and damages caused as a result thereof.

5 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the amounts of wholly owned subsidiaries of the company. The company has applied Accounting Guideline 15, Consolidation of Variable Interest Entities, to the corporation. The guideline requires a VIE to be consolidated if a company is at risk of absorbing the VIE's expected losses or is entitled to receive the majority of its expected residual returns, or both.

Foreign currency translation

The company's U.S. subsidiary, Commerx US Inc is classified as integrated foreign operations and, as such, are translated into Canadian dollars using the temporal method, whereby monetary items are translated at the rate of exchange in effect at the consolidated balance sheet date and non-monetary items are translated at applicable historical rates. Revenue and expense items are translated at the average rates prevailing during the year. All translation gains and losses are included in the net income (loss).

Property and equipment

Property and equipment are recorded at cost and amortized using the declining-balance method at the following rates, which estimate useful lives of the assets:

Computer hardware	30%
Tools	50%
Furniture and fixtures	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Income taxes

The company follows the taxes payable method of accounting for income taxes. Under this method, only current incomes for the period, determined in accordance with the rules established by taxation authorities, are recognized as an expense.

Revenue recognition

The company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured. Revenue is recorded using the percentage of completion method for individual contracts. When the outcome of a contract can be reliably estimated, contract revenue is recognized in proportion to the stage of completion of the contract at the end of the reporting period. The stage of completion is determined by reference to the proportion of costs incurred to date in comparison to the estimated total costs of the contracts. Contract expenses are recognized as incurred unless they create an asset related to future contract activity, in which case they are reported as unexpired expenses on the consolidated balance sheet. If estimates indicate that total contract costs will exceed total contract revenue; the full amount of the expected loss is recognized immediately in the consolidated statement of income (loss) and retained earnings (deficit). Any excess of progress billings over earned revenue on contracts is carried as costs in excess of related billings on the consolidated balance sheet. Any excess of costs and estimated profits over progress billings on contracts is carried as deferred revenue in the consolidated financial statements.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the company becomes party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at the amortized cost except for derivative assets (liabilities) (see financial derivative instruments policy). Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transactions related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight

line method. Any premium or discount related to an instrument measured at amortized cost is amortized net income (loss) over the expected life of the item using the straight-line method and recognized in net profit (loss) as interest income or expense. With respect to financial assets measured at cost or amortized cost, the Company recognizes in net profit (loss) an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. With the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in net profit (loss) in the period the reversal occurs.

Use of estimates

The preparation of the consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated balance sheet. The valuation for doubtful accounts, the impairment and economic useful lives of property and equipment and intangible assets for purposes of calculating amortization, accrued liabilities, and income tax provisions are the most significant items subject to estimates in these consolidated financial statements. These estimates are reviewed at least annually and, as adjustments become necessary, they are reported in net profit (loss) in the periods in which they become known.

6 Share Capital

Authorized, unlimited number of

Class A common shares with no par value
 Class E preferred shares redeemable retractable non-voting shares
 Class F preferred shares redeemable retractable non-voting shares
 Class G preferred shares redeemable retractable non-voting shares

Issued	2017	2016
	\$	\$
5,610,137 (2016 - 5,608,751) Class A common shares	3,244,130	2,091,501
669,154 (2016 - 0) Class E preferred shares	-	650,000
1,148,381 (2016 - 0) Class F preferred shares	1,407,830	1,407,830
1,379,625 (2016 - 1,086,319) Class G preferred shares	1,379,625	1,379,625
	<u>6,031,585</u>	<u>5,528,956</u>

During the year, 669,154 of the Class E preferred shares were redeemed.

7 **Loans payable**

	2018	2017
	\$	\$
Loan secured by general security agreements, unlimited guarantees from Commerx US Inc., postponement of claims, and subordinated to the lender bearing interest at prime plus 10% per annum, repayable in monthly payments of \$18,202 principal plus interest, maturing March 16, 2018.	-	48,037
Less: current portion	-	(48,037)
	-	-

8 **Commitments**

The company has entered into premises lease agreements expiring May 31, 2020. The minimum annual lease payments are as follows:

2019	73,200
2020	67,100

9 **Nonrecurring items**

As part of a restructuring plan put in place in 2016 during the execution of a share purchase agreement, during the year the company made adjustments to various assets and liabilities as write downs and write offs that were deemed to have \$NIL value and no expectations of conversion to cash. During the year \$119,907 was written off.

EXHIBIT "F"



Robert Kulhawy <robert.kulhawy@commerx.com>

Fwd: Commerx Update and Request

1 message

Robert Kulhawy <robert.kulhawy@gmail.com>
Reply-To: robert.kulhawy@commerx.com
To: Robert Kulhawy <robert.kulhawy@commerx.com>

Tue, Aug 13, 2019 at 12:46 PM

Fyi

----- Forwarded message -----

From: Michael Martin <mgm@bdplaw.com>
Date: Thu, Aug 10, 2017 at 5:02 PM
Subject: RE: Commerx Update and Request
To: Christian Mack <christian@lotus-innovations.com>, Rob Follows <rob@stscapital.com>
Cc: Kristos Iatridis <iatridisk@bennettjones.com>, Robert E. Kulhawy <robert.kulhawy@commerx.com>, Michael Hart <mhart@peerhartlaw.com>, Adlai Coronel <adlai.coronel@lotus-innovations.com>

Christian,

Fortitude is not willing to agree to the arrangements described in your email below and wants its Class F Shares redeemed in accordance with their terms and in accordance with the terms of the Settlement Agreement. We reiterate the demands set forth in our letter of July 19, 2017.

Mike

Michael Martin

BD&P BURNET, DUCKWORTH & PALMER LLP Law Firm

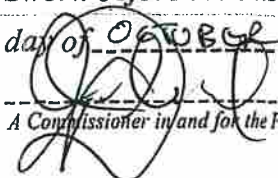
Telephone 403.260.5738 Fax 403.260.0332 Email mgm@bdplaw.com Web BDPLAW.COM Address Suite 2400, 525-8th Ave SW Calgary, AB T2P 1G1

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Jasmin Dhaliwal
A Commissioner for Oaths - Notary Public
in and for the Province of Alberta.
Member of the Law Society of Alberta and
My Appointment Expires at the Pleasure of
The Attorney General for the Province of Alberta

THIS IS EXHIBIT " F "
referred to in the Affidavit of
ROBERT KULHAWY

Sworn before me this 30
day of AUGUST A.D. 2019


A Commissioner in and for the Province of Alberta

From: Christian Mack [mailto:christian@lotus-innovations.com]
Sent: Friday, July 21, 2017 5:25 PM
To: Michael Martin; Rob Follows
Cc: Kristos Iatridis; Robert E. Kulhawy; Michael Hart; Adlai Coronel
Subject: Commerx Update and Request