

AVISA DIAGNOSTICS INC.
(formerly, FogChain Corp.)

CSE FORM 2A
LISTING STATEMENT

May 11, 2021

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GLOSSARY

“**ABT**” means the *Avisa BreathTest*;

“**Affiliate**” means a company that is affiliated with another company as described below. A company is an “**affiliate**” of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is “**controlled**” by a Person if (a) voting securities of a company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of a company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

“**Agents**” means collectively, Haywood and Canaccord;

“**AppMark**” means AppMark, Inc., both prior to and after giving effect to the Transaction, a corporation incorporated on October 17, 2017 under the name “American Icon, Inc.”, which amended its name to AppMark, Inc. on November 19, 2018 and was subsequently dissolved on December 9, 2019 under the laws of the State of Wyoming;

“**Associate**” has the meaning ascribed to such term in the Securities Act;

“**Audit Committee**” means the audit committee of the Resulting Issuer;

“**Available Funds**” means the estimated working capital (total current assets less total current liabilities) which will be available to the Resulting Issuer (including the working capital of both of FogChain and Avisa), as at the most recent month end preceding the date of this Listing Statement, after giving effect to the Merger and the Avisa Financing;

“**Avisa**” means Avisa Pharma Inc., prior to giving effect to the Transaction, a company incorporated under the DGCL (as defined herein) on March 25, 2013;

“**Avisa Board**” means the board of directors of Avisa;

“**Avisa Common Shares**” means the shares in the common stock of Avisa;

“**Avisa Financial Statements**” means the audited financial statements of Avisa as at December 31, 2019, December 31, 2018 and January 1, 2018 and for the years ended December 31, 2020 and 2019, which are attached to this Listing Statement as Schedule “A”;

“**Avisa Financing**” means the non-brokered private placement of 1,540,741 Avisa Subscription Receipts by Avisa at a subscription price of \$0.45 per Avisa Subscription Receipt for gross proceeds of \$693,336, which closed on April 16, 2021. Pursuant to the terms of the Avisa Subscription Receipts, each Avisa Subscription Receipt was convertible into one Avisa Common Share, without payment of additional consideration or further action on the part of the holder of Avisa Subscription Receipts, upon satisfaction of the Escrow Release Conditions;

“**Avisa MD&A**” means the management’s discussion and analysis of the financial condition and results of operations of Avisa as at December 31, 2019, December 31, 2018 and January 1, 2018 and for the years ended December 31, 2020 and 2019, which are attached to this Listing Statement as Schedule “D”;

“**Avisa Option Plan**” means the stock option plan of Avisa;

“**Avisa Options**” means the options granted pursuant to the Avisa Option Plan, entitling the holders thereof to acquire Avisa Common Shares;

“**Avisa Preferred Shares**” means collectively, the Series A Preferred Shares and Series A-1 Preferred Shares;

“Avisa Subscription Receipt Escrow Agent” means TSX Trust Company, acting as subscription receipt agent pursuant to the Subscription Receipt Agreement;

“Avisa Subscription Receipts” means the subscription receipts of Avisa issued pursuant to the Avisa Financing at an issue price of \$0.45 per Avisa Subscription Receipt, each Avisa Subscription Receipt being convertible into one Resulting Issuer Common Share at the Effective Time;

“Avisa Warrants” means the Series A Warrants and the Promissory Note Warrants;

“AVISAR” means Avisa’s laptop size laser spectrometer;

“Canaccord” means Canaccord Genuity Corp.;

“CAP” means community-acquired pneumonia;

“CDC” means the U.S. Centers for Disease Control and Prevention;

“CEO” means the Chief Executive Officer;

“CFO” means the Chief Financial Officer;

“Closing” means the completion of the Merger pursuant to the Merger Agreement on the Closing Date;

“Closing Date” means the date when the Closing took place, being April 20, 2021;

“Code” means the United States Internal Revenue Code of 1986, as amended;

“company” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“Consolidation” means the consolidation of FogChain Shares, which was completed prior to the Merger on April 20, 2021 on the basis of one (1) post-consolidation FogChain Share for every fifteen (15) outstanding FogChain Shares existing immediately before the consolidation;

“Convertible Notes” means the outstanding convertible notes of Avisa;

“CSE” means the Canadian Securities Exchange;

“DGCL” means the *Delaware General Corporation Law*, as amended;

“DOB” means delta over the baseline;

“Effective Date” means the effective date of the Merger, which is April 20, 2021;

“Effective Time” means the time the Merger became effective upon the filing of the Certificate of Merger;

“Eligible Holders” means a resident of Canada for purposes of the Tax Act and not exempt from tax under Part I of the Tax Act, or (ii) a partnership, any member of which is a resident of Canada for the purposes of the Tax Act (other than a partnership, all members of which that are residents of Canada are exempt from tax under Part I of the Tax Act);

“Escrow Agent” means TSX Trust Company, in its capacity as escrow agent for the Resulting Issuer Shares held in escrow under the Escrow Agreement;

“Escrow Agreement” means the escrow agreement entered into between the Resulting Issuer and the Escrow Agent on the Closing Date;

“Escrow Release Conditions” has the meaning ascribed to such terms under Section 3.2;

“Escrowed Proceeds” has the meaning ascribed to such terms under Section 3.2;

“Exchange Ratio” means the exchange ratio of one (1) Resulting Issuer Common Share for each Avisia Common Share, or one (1) Resulting Issuer Restricted Voting Common Share for each Avisia Common Share, as applicable, on a post-Consolidation basis;

“FogChain” means FogChain Corp., prior to giving effect to the Transaction, a corporation incorporated under the name Redaurum Red Lake Mines Limited by Articles of Incorporation dated February 7, 1984, under the OBCA (as defined herein). The articles of FogChain were amended on (i) May 5, 1994; (ii) December 15, 2003; (iii) April 14, 2004; (iv) June 27, 2008; (v) August 31, 2012; (vi) August 10, 2016; (vii) May 23, 2018; and (viii) April 20, 2021;

“FogChain Common Shares” means the common shares in the capital of FogChain;

“FogChain Restricted Voting Shares” means the class A convertible restricted voting shares in the capital of FogChain;

“FogChain Shareholder” means holders of common shares in the capital of FogChain;

“FogChain Shares” means together, the FogChain Common Shares and the FogChain Restricted Voting Shares;

“FogChain Stock Options” means the outstanding stock options of FogChain issued pursuant to the stock option plan of FogChain exercisable for FogChain Common Shares;

“FogChain Sub” means FogChain USA Inc., prior to giving effect to the Transaction, a direct, wholly-owned subsidiary of FogChain incorporated under the DGCL on February 1, 2021;

“FogChain, Inc.” means FogChain, Inc., both prior to and after giving effect to the Transaction, a direct, wholly-owned subsidiary of FogChain incorporated on April 13, 2016 under the DGCL. There have been no amendments since FogChain’s listing statement dated May 24, 2018;

“GEM Agreement” means the share subscription facility agreement entered into between Avisia, GEM Yield Bahamas Ltd., and GEM Global, dated January 23, 2020, as amended;

“GEM Global” means GEM Global Yield LLC SCS, both prior to and after giving effect to the Transaction, a limited corporate partnership incorporated on December 4, 2012 under the laws of Luxembourg;

“GEM Warrants” has the meaning ascribed to such term in Section 4.1;

“HAP” means hospital acquired pneumonia patients;

“Haywood” means Haywood Securities Inc.;

“Haywood Note” has the meaning ascribed to such terms under Section 10.1;

“ICU” means intensive care unit;

“IDE” means Investigational Device Exemption;

“IFRS” means International Financial Reporting Standards, as issued by the International Accounting Standards Board;

“**Liquidation Event**” has the meaning ascribed thereto under Section 10.1;

“**Listing**” means the listing of the Resulting Issuer Common Shares on the CSE;

“**Listing Date**” means the date of the Listing;

“**Listing Statement**” means this listing statement;

“**MD&A**” means management’s discussion and analysis;

“**Mergeco**” means the surviving corporation of the Merger;

“**Merger**” means the combination of the businesses of FogChain and Avisia by way of a forward triangular merger of Avisia into FogChain Sub under the DGCL, pursuant to which Mergeco became a wholly-owned subsidiary of FogChain in accordance with the Merger Agreement;

“**Merger Agreement**” means the merger agreement and plan of reorganization among FogChain, Avisia and FogChain Sub dated February 1, 2021, as the same may be amended, restated, supplemented or otherwise modified from time to time, providing for, among other things, the Merger;

“**Name Change**” means the name change of “FogChain Corp.” to “Avisia Diagnostics Inc.”, which took place on, April 20, 2021, under the OBCA;

“**Notes**” means collectively, the Convertibles Notes and the Senior Notes;

“**Notes Conversion**” has the meaning ascribed to such term under Section 3.2;

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended, including the regulations promulgated thereunder;

“**Panorama**” means Panorama Capital Corp., both prior to and after giving effect to the Transaction, a corporation incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on December 19, 2018;

“**Panorama Merger Agreement**” means the merger agreement and plan of reorganization among Panorama, Avisia and a wholly-owned subsidiary of Panorama dated June 17, 2020, as amended on September 30, 2020;

“**Panorama QT**” has the meaning ascribed to such term under Section 3.1;

“**Panorama QT Financing**” means the private placement of Panorama QT Subscription Receipts by Avisia conducted concurrently with the Panorama QT, pursuant to which the Agents agreed to sell, on a commercially reasonable efforts basis, 10,937,500 Panorama QT Subscription Receipts at CDN\$0.64 per Panorama QT Subscription Receipt for gross proceeds of \$7,000,000. On January 7, 2021, the Panorama QT and Panorama QT Financing was terminated and the 2,206,525 Panorama QT Subscription Receipts purchased at that time for gross proceeds of CDN\$1,412,176 were cancelled;

“**Panorama QT Subscription Receipts**” means the subscription receipts issued by Avisia pursuant to the Panorama QT Financing at a price of CDN\$0.64 per Panorama QT Subscription Receipt;

“**Panorama QT Subscription Receipt Agreement**” means the agency agreement dated September 4, 2020 between Avisia and the Agents in respect of the Panorama QT Financing;

“**PCR**” means polymerase chain reaction;

“**PCT**” means prolactin;

“**person**” or “**Person**” means a company or individual;

“Pooled Shares” means the securities of Avisia and the Resulting Issuer subject to the Pooling Agreement;

“Pooling Agreement” means the voluntary pooling agreement dated March 10, 2021 between Avisia and certain Avisia shareholders;

“post COVID-19” means respiratory illnesses subsequent to COVID-19 infections, such as bronchiectasis;

“Preferred Shares Conversion” has the meaning ascribed to such term under Section 3.2;

“Pro Forma Consolidated Financial Statements” means the unaudited pro forma statement of the consolidated financial position for the Resulting Issuer as at December 31, 2020 to give effect to the Merger as if it had taken place as of the Effective Date which is attached to this Listing Statement as Schedule “C”;

“Promissory Notes” means the outstanding unsecured promissory notes of Avisia, as amended and restated on January 25, 2021;

“Promissory Note Warrants” means the Avisia Common Share purchase warrants, which shall be issued to holders of the Promissory Notes immediately prior to the Closing;

“Quilmont” means Quilmont, LLC, both prior to and after giving effect to the Transaction, a limited liability company incorporated on January 2, 2014 and dissolved on December 31, 2018 under the laws of the State of South Carolina;

“RadJav” means the RadJav rapid developed application platform;

“RadJav Agreement” means the software licensing agreement entered into between FogChain and Higher Edge Software, LLC on June 1, 2018 in which FogChain acquired the right to use RadJav;

“Release Deadline” means the date that is 120 days after the closing date of the Avisia Financing, or such other date as Avisia, may determine;

“Release Notice” means the notice delivered to the Avisia Subscription Receipt Escrow Agent confirming that all Escrow Release Conditions have been met or waived;

“Reserved Shares” means the number of Resulting Issuer Shares that may be reserved for issuance under the Resulting Issuer Stock Option Plan, which, together with any other securities forming part of a compensation arrangement of the Resulting Issuer will not exceed 10% of the of the Resulting Issuer Shares outstanding at the time of option grant;

“Restricted Voting Share Election” has the meaning ascribed to such term under Section 3.2;

“Resulting Issuer” means Avisia Diagnostics Inc. (formerly, FogChain Corp.), the successor corporation after giving effect to the Merger, of which the Resulting Issuer Shares are listed on the CSE following the completion of the Transaction;

“Resulting Issuer Board” means the board of directors of the Resulting Issuer;

“Resulting Issuer Common Shares” means the common shares in the capital of the Resulting Issuer;

“Resulting Issuer Options” means the stock options of the Resulting Issuer exercisable for Resulting Issuer Shares;

“Resulting Issuer Restricted Voting Common Shares” means the class A convertible restricted voting shares in the capital of the Resulting Issuer;

“Resulting Issuer Shares” means, collectively, the Resulting Issuer Common Shares and the Resulting Issuer Restricted Voting Common Shares;

“Resulting Issuer Stock Option Plan” means the stock option plan of the Resulting Issuer;

“Resulting Issuer Warrants” means the Resulting Issuer Common Share purchase warrants;

“Securities Act” means the *Securities Act* (Ontario);

“Securities Laws” means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to a reporting issuer;

“SEDAR” means System for Electronic Document Analysis and Retrieval;

“Senior Notes” means the outstanding senior convertible notes of Avisia;

“Series A Preferred Shares” means the series A preferred shares in the capital of Avisia;

“Series A Warrants” means the Series A Preferred Share purchase warrants of Avisia;

“Series A-1 Preferred Shares” means the series A-1 preferred shares in the capital of Avisia;

“Split” has the meaning ascribed to such term under Section 2.2;

“STC” means STC.UNM;

“STC Agreement” means the exclusive patent license agreement, dated November 5, 2011, between STC and Avisia, as amended;

“STC Inventions” means STC’s patent rights and technology related to certain patents relating to detection and diagnosis of infections pursuant to a licence in the United States;

“Subscription Receipt Agreement” means the subscription receipt agreement dated April 16, 2021 between Avisia and the Avisia Subscription Receipt Escrow Agent, as amended or supplemented from time to time;

“SWS” means Southwest Sciences, Inc., both prior to and after giving effect to the Transaction, a corporation incorporated on August 15, 1985 organized and existing under the laws of the State of New Mexico;

“SWS Agreement” means the license agreement, dated February 27, 2013, between SWS and Avisia, as amended;

“Transaction” means the completion of the: (i) the Avisia Financing; (ii) the Name Change; (iii) the Consolidation; (iv) the Merger; and (v) the Listing;

“TSXV” means the TSX Venture Exchange;

“USPTO” means the U.S. Patent and Trademark Office;

“VAP” means ventilator associate pneumonia;

“VOC” means volatile organic compound; and

“WMS” means wavelength modulation spectroscopy.

FORWARD LOOKING STATEMENTS

This Listing Statement contains forward-looking statements that relate to the Resulting Issuer's current expectations and views of future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plan", "believe", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Resulting Issuer has based these forward-looking statements on their current expectations and projections about future events and financial trends that they believe may affect the Resulting Issuer's financial condition, results of operations, business strategy and financial needs, as the case may be.

Forward-looking statements relating to the Resulting Issuer include, among other things, statements relating to:

- the jurisdictions in which the Resulting Issuer will be a reporting issuer;
- the completion of the Transaction;
- the share subscription facility under the GEM Agreement being available to the Resulting Issuer;
- milestones and long-term objectives;
- expectations regarding the market for the Resulting Issuer's products and tests;
- expectations regarding the use of the *ABT*;
- expectations regarding product development, including the performance and price of products;
- clinical trials and studies related to the Resulting Issuer's products and tests;
- receipt of an optimal reimbursement code, amount and coverage decision from the Centers for Medicare & Medicaid Services;
- the commercialization of its products, including the ability to contract experienced medical device and drug manufacturers;
- expectations regarding the Available Funds, including the principal purposes for which such funds will be used and the allocation of such funds;
- expectations regarding its revenue, expenses, operations and business model;
- anticipated cash needs and its needs for additional financing, including the ability to raise funds pursuant to the GEM Agreement;
- market penetration strategy;
- plans for and timing of expansion of its products;
- future growth plans;
- ability to attract and retain personnel;
- competitive position and its expectations regarding competition;
- anticipated trends and challenges in the Resulting Issuer's business and the markets in which it operates, including the anticipated effects post COVID-19;
- the Listing on the CSE under the symbol AVBT;
- expectations regarding cash dividends or distributions on the Resulting Issuer Shares;
- expectations regarding the composition of Resulting Issuer Board, the Audit Committee and the management of the Resulting Issuer;
- the executive compensation policies and practices of the Resulting Issuer; and
- expectations regarding the Resulting Issuer's auditor.

Forward-looking statements are based on certain assumptions and analysis made by the Resulting Issuer in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Such assumptions include, among others, those relating to general economic conditions, the Canadian and United States' legislative and regulatory environment, the impact of increasing competition, the ability to obtain regulatory and shareholder approvals. Although the Resulting Issuer believes that the assumptions underlying the forward-looking statements are reasonable, they may prove to be

incorrect. Given these risks, uncertainties and assumptions, shareholders should not place undue reliance on these forward-looking statements.

Whether actual results, performance or achievements will conform to the Resulting Issuer's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under Section 17, which include:

- retention and acquisition of skilled personnel;
- managing growth;
- insurance coverage;
- may lose entire investment;
- limited operating history;
- further equity financing may substantially dilute the interests of shareholders;
- the Resulting Issuer's actual financial position and results of operations may differ materially from the expectations of the Resulting Issuer's management;
- the market may not accept the Resulting Issuer's products, which will adversely affect its business, financial condition, and results of operations;
- the Resulting Issuer's success depends on the successful commercialization of its technology;
- the Resulting Issuer depends upon its key personnel to achieve its business objectives;
- regulatory approvals;
- reimbursements;
- the Resulting Issuer could face competition, which could result in lower revenues and higher research and development expenditures and could adversely affect the results of operations;
- certain laws and governmental regulations that could affect international distribution and applications;
- if the Resulting Issuer is the subject of an intellectual property infringement claim, the cost of participating in any litigation could cause the Resulting Issuer to experience significant losses;
- the Resulting Issuer may in the future be required to license patent or other intellectual property rights from third-party owners in order to develop the Resulting Issuer's products;
- failure to achieve and maintain the high manufacturing standards that the Resulting Issuer's products require may seriously harm its business;
- the Resulting Issuer is dependent on its suppliers and manufacturers to meet existing regulations;
- the Resulting Issuer may be subject to product liability claims or regulatory action if its products are alleged to have caused significant loss or injury;
- United States tax classification of the Resulting Issuer;
- access to capital;
- foreign sales;
- estimates or judgments relating to critical accounting policies;
- market for Resulting Issuer Common Shares;
- reporting issuer status;
- significant sales of Resulting Issuer Common Shares;
- analyst coverage;
- tax issues;
- completion of the Transaction is subject to conditions precedent;
- the Resulting Issuer's business could be adversely affected by the effects of health epidemics, including the global COVID-19 pandemic; and
- enforcement of judgments/bringing actions.

The above risks, uncertainties, assumptions and other factors could cause the Resulting Issuer's actual results, performance, achievements and experience to differ materially from the Resulting Issuer's expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this Listing Statement relate only to events or information as of the date on which the statements are made in this Listing Statement. Except as required by law, the Resulting Issuer undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this Listing Statement with the understanding that the Resulting Issuer's actual future results may be materially different from what is expected.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Resulting Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Resulting Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

Currency Presentation

Unless otherwise specified, all dollar amounts referenced in this Listing Statement, the financial statements are in United States dollars and referred to as "\$" or "US\$". All dollar amounts referenced in the financial statements of Avis, in the financial statements of FogChain, and in *pro forma* consolidated financial statements are in U.S. dollars and referred to as "US\$".

2. CORPORATE STRUCTURE

2.1 Corporate Name and Office

This Listing Statement has been prepared in connection with the Transaction involving FogChain and Avis.

Avis's registered office is located at 108 West 13th Street, Wilmington, Delaware, 19801 United States and its head office is located at 1660A Old Pecos Trail, Santa Fe, New Mexico 87505 United States.

The head and registered office of FogChain is located at 2050-1055 West Georgia Street, PO Box 11121, Vancouver, British Columbia V6E 3P3.

The Resulting Issuer's registered office is located at 181 Bay Street, Brookfield Place, Suite 4400, Toronto, Ontario, Canada, M5J 2T3. The head office of the Resulting Issuer is located at 1660A Old Pecos Trail, Santa Fe, New Mexico 87505 United States.

2.2 Jurisdiction of Incorporation

Avis

Avis was incorporated under the laws of the state of Delaware on March 25, 2013. On October 17, 2014, Avis filed an amended and restated certificate of incorporation in order to create the Avis Preferred Shares and to establish the rights, privileges, restrictions and conditions attaching to the Avis Preferred Shares and the Avis Common Shares. On September 2, 2020, Avis filed an amended and restated certificate of incorporation in order to increase its

authorized capital to 70,000,000 shares, consisting of 63,000,000 Avisia Common Shares and 7,000,000 Avisia Preferred Shares, and to split the Avisia Common Shares (the “**Split**”) on the basis of one Avisia Common Share outstanding before the Split to 1.75 Avisia Common Shares following the Split. On April 20, 2021, Avisia merged with FogChain Sub pursuant to the Merger Agreement. A certificate of merger was filed under the laws of the State of Delaware. FogChain Sub is the surviving corporation in the Merger, and continues to exist as the surviving corporation under the name, “*Avisia Diagnostics USA Inc.*”

FogChain

FogChain was incorporated under the name Redaurum Red Lake Mines Limited by Articles of Incorporation dated February 7, 1984, under the OBCA. The articles of FogChain were amended on (i) May 5, 1994, to change the name of the corporation to Redaurum Limited; (ii) December 15, 2003, to change the number of directors to a minimum of three (3) and a maximum of 20; (iii) April 14, 2004, to change the name of the corporation to BF Minerals Limited and to consolidate the issued and outstanding FogChain Common Shares on a basis of one (1) new FogChain Common Share for each 40 issued and outstanding FogChain Common Shares; (iv) on June 27, 2008, to change the name of the corporation to Mukuba Resources Limited and to consolidate the issued and outstanding FogChain Common Shares on a basis of one (1) new FogChain Common Share for each 4.0987 issued and outstanding FogChain Common Shares; (v) on August 31, 2012 to consolidate the issued and outstanding FogChain Common Shares on a basis of one (1) new FogChain Common Share for each four (4) issued and outstanding FogChain Common Shares; (vi) on August 10, 2016 to consolidate the issued and outstanding FogChain Common Shares on a basis of one (1) new FogChain Common Share for each 30 issued and outstanding FogChain Common Shares; (vii) on May 23, 2018 to change the name of the corporation to FogChain Corp., to consolidate the issued and outstanding FogChain Common Shares on a basis of one (1) new FogChain Common Share for each 1.66 issued and outstanding FogChain Common Shares and to add the FogChain Restricted Voting Shares as an additional class of shares of FogChain; and (viii) on April 20, 2021 to effect the Name Change and the Consolidation.

FogChain commenced trading the FogChain Common Shares on the CSE on May 29, 2018 under the symbol “FOG”. Effective November 4, 2020, the CSE deemed FogChain’s listed securities to be inactive and changed its symbol to “FOG.X”. Trading of the FogChain Common Shares on the CSE was halted on February 2, 2021 upon entering into the Merger Agreement in connection with the Transaction.

Resulting Issuer

The Resulting Issuer is an Ontario corporation that was incorporated by Articles of Incorporation dated February 7, 1984, under the OBCA.

The Resulting Issuer expects to be a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland. The Resulting Issuer intends to be traded on the CSE under the symbol “AVBT”, subject to compliance with the CSE’s listing requirements.

2.3 Intercorporate Relationships

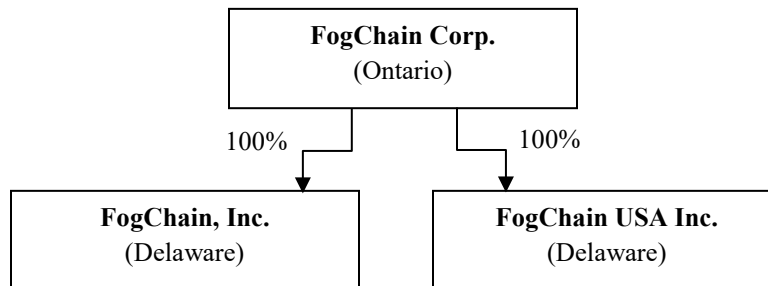
Avisia

Avisia is a single corporate entity that does not have any subsidiaries.

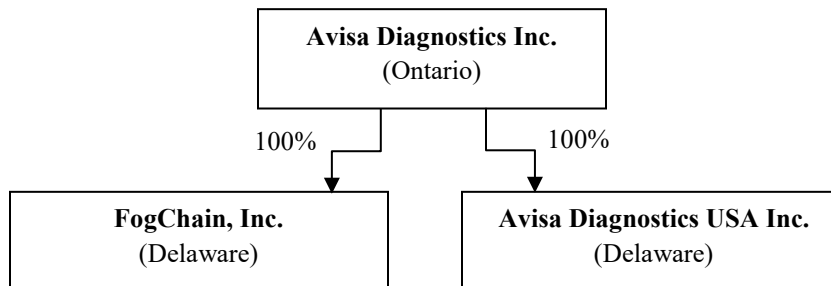
FogChain

Prior to the Merger, FogChain had two wholly-owned subsidiaries, FogChain, Inc. and FogChain Sub. FogChain Sub was incorporated on February 1, 2021, pursuant to the filing of articles of incorporation under the DGCL for the purposes of the Merger.

The following chart illustrates FogChain’s corporate structure prior to the completion of the Merger, together with each of its subsidiaries’ place of incorporation, governing law, and percentage of voting securities beneficially owned by FogChain as at the date hereof.



The following chart illustrates the Resulting Issuer’s corporate structure following the completion of the Merger, together with each subsidiaries’ place of incorporation, governing law, and percentage of voting securities beneficially owned by the Resulting Issuer. The Resulting Issuer will focus on the business of Avisia.



2.4 Fundamental Change

The Resulting Issuer has applied to list the Resulting Issuer Common Shares on the CSE as the Merger constitutes a “fundamental change” within the meaning of CSE Policy 8 - *Fundamental Changes & Changes of Business*. The conditional approval of the CSE with respect to the Merger was received from the CSE on March 31, 2021.

Brief Overview of the Avisia Financing and the Merger

Upon completion of the Merger:

- (a) an aggregate of 41,219,310 Resulting Issuer Common Shares were issued and outstanding, consisting of:
 - (i) 34,351,221 Resulting Issuer Common Shares issued to existing holders of Avisia Common Shares;
 - (ii) 1,540,741 Resulting Issuer Common Shares issued to holders of Avisia Subscription Receipts; and
 - (iii) 5,327,348 Resulting Issuer Common Shares currently held by FogChain Shareholders;

- (b) an aggregate of 16,326,474 Resulting Issuer Restricted Voting Common Shares¹ were issued and outstanding, consisting of:
 - (i) 15,208,674 Resulting Issuer Restricted Voting Shares issued to existing holders of Avisia Common Shares to which a Restricted Voting Share Election (as defined herein) was made; and
 - (ii) 1,117,800 Resulting Issuer Restricted Voting Shares currently held by holders of FogChain Restricted Voting Shares;
- (c) an aggregate of 2,232,896 Resulting Issuer Options and 7,034,964 Resulting Issuer Warrants were issued and outstanding, consisting of:
 - (i) Resulting Issuer Options to purchase 105,500 Resulting Issuer Common Shares pursuant to the FogChain Options;
 - (ii) Resulting Issuer Options to purchase 2,127,396 Resulting Issuer Common Shares to be issued to replace outstanding Avisia Options;
 - (iii) Resulting Issuer Warrants to purchase 858,226 Resulting Issuer Common Shares pursuant to the Avisia Warrants; and
 - (iv) Resulting Issuer Warrants to purchase 143,326 Resulting Issuer Common Shares pursuant to the Promissory Note Warrants; and
 - (v) Resulting Issuer Warrants to purchase 6,033,412 Resulting Issuer Common Shares pursuant to the GEM Agreement.

2.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada

The Resulting Issuer will not be considered a non-corporate issuer or issuer incorporated outside of Canada.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

Avisia

Avisia, based in Santa Fe, New Mexico in the United States, began in 2010 to commercialize breath test technology invented at the University of New Mexico. Since its inception to the date of this Listing Statement, Avisia has raised approximately \$15 million in investment capital from institutions and individuals to develop and validate this breath test platform technology.

Avisia's material developments in the past two years include significant product development, clinical demonstration, and fundraising successes. Regarding product development, Avisia has developed functional and cost-effective breath fractionation equipment (patent pending) and a device that collects breath from ventilated patients without interrupting the venting cycle (patent pending). Regarding clinical demonstration, on December 15, 2015, Avisia successfully completed a significant investigator sponsored pilot study of the Avisia BreathTest™ ("ABT") for use in the emergency department with patients showing symptoms of pneumonia, which set the stage with the FDA for a pivotal study to come in 2022.

In January 2020, Avisia entered into the GEM Agreement, which provides Avisia with an additional source of equity. Amended in July 2020 in connection with the entry into the Panorama QT on the TSXV, the GEM Agreement establishes an approximately \$40 million share subscription facility, which is expected to be available, subject to the

¹ For details of the Resulting Issuer Restricted Voting Common Shares see Section 10.1.

satisfaction of the conditions set forth in the GEM Agreement, to the Resulting Issuer. Please see Section 4.1 – *Material Contracts* for further details related to the GEM Agreement.

On May 12, 2020, Avisia entered into a non-binding letter of intent with Panorama whereby the parties intended to complete a business combination that would have constituted a reverse takeover of Panorama by Avisia (the “**Panorama QT**”). In connection with the Panorama QT, Avisia and Panorama entered into the Panorama Merger Agreement on June 17, 2020, which was amended on September 30, 2020. In connection with the Panorama QT Financing, Avisia entered into the Panorama QT Subscription Receipt Agreement with the Agents pursuant to which the Agents agreed to sell, on a commercially reasonable efforts basis, 10,937,500 Panorama QT Subscription Receipts for gross proceeds of \$7,000,000. On January 7, 2021, the Panorama QT and Panorama QT Financing was terminated and all Panorama QT Subscription Receipts were cancelled.

On January 12, 2021, Avisia entered into a non-binding letter of intent with FogChain with respect to the Merger.

On February 1, 2021, Avisia entered into the Merger Agreement with FogChain and FogChain Sub with respect to the Merger.

On April 20, 2021, Avisia closed the Merger with FogChain and FogChain Sub pursuant to the terms of the Merger Agreement.

FogChain

In FogChain’s three most recently completed financial years and prior to its reverse takeover in May 2018, FogChain’s principal activity was identifying new projects in the mining and resource, oil and gas, or technology sectors or other opportunities.

May 24, 2018 – FogChain completed a reverse takeover transaction which was effected pursuant to a business combination agreement between Mukuba Resources Ltd. and FogChain, Inc., a private company existing under the laws of Delaware with its head office in San Carlos, California. As part of the transaction, FogChain, Inc. consolidated its share capital at a ratio of one post-consolidated common share for 1.66 pre-consolidated common shares, created restricted voting shares, changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSXV effective May 28, 2018, and commenced trading the FogChain Common Shares on the CSE on May 29, 2018 under the symbol “FOG”.

June 1, 2018 – FogChain acquired the RadJav rapid application development platform (“**RadJav**”) and other related assets from Higher Edge Software, LLC pursuant to an exclusive software licensing agreement (the “**RadJav Agreement**”), for payment comprised of the issuance of common shares of FogChain and cash. FogChain issued 10,000,000 common shares at a fair value of \$2,969,890 and paid \$250,000 cash. RadJav is a rapid application development platform, and the acquisition includes its OpenSSL cryptography library, Linux compatibility, WebSockets, HTTP Server and Electrum Wallet, as well as other related content and intellectual property assets.

July 10, 2018 – FogChain filed a patent covering RadJav’s Proof of Competition network consensus methodology (“**POC**”). Companies that have and support their own Blockchain utilize different methods to mine and validate blocks, secure transactions, and manage a growing number of nodes – in order to create a decentralized Blockchain network. POC combines two consensus methodologies, Proof of Work and Proof of Stake, to augment the performance of FogChain’s Blockchain platform. Unlike other methodologies, POC increases transaction throughput capacity as the network grows and allows the network to be self-healing.

August 31, 2018 – FogChain completed its acquisition of Quilmont, LLC (“**Quilmont**”), a software development technology and solutions provider, in an all-stock transaction. FogChain issued 4,100,000 FogChain Common Shares with a fair value of US \$935,306. Quilmont specializes in automated testing, continuous integration deployment, mobile and website development, and software quality assurance.

September 4, 2018 – FogChain lists FogChain Common Shares on the OTC Markets QB Exchange under the symbol “FOGCF”.

September 24, 2018 – FogChain lists FogChain Common Shares on the Frankfurt Exchange under the ticker symbol “MUU3”.

October 2, 2018 – FogChain launches a new automated testing managed service for software applications. This software provides developers with a range of development tools and resources for the creation of apps, smart contracts, mobile apps, and decentralized apps.

November 27, 2018 – FogChain reaches an agreement to acquire AppMark’s application monitoring and benchmarking platform for \$40,000 and 1,000,000 FogChain Common Shares with a fair value of \$97,825. AppMark is a Software as a Service (SaaS) solutions provider, specializing in synthetic performance monitoring of enterprise mobile, web, and desktop applications. AppMark’s platform allows customers to continuously measure the performance of their applications from the end-user perspective through alert processing capabilities.

January 8, 2019 – FogChain and SP Associates Corp. (“**SP Associates**”) entered into an advisory agreement (the “**Advisory Agreement**”) whereby SP Associates would provide strategic consulting services to FogChain on a non-exclusive basis effective January 8, 2019 (the “**Advisory Agreement Effective Date**”). The governing law of the Advisory Agreement is the State of New York, United States. In consideration for SP Associates’ consulting services, FogChain agreed to:

- i) pay SP Associates the sum of:
 - a. \$25,000 upon the Advisory Agreement Effective Date; and
 - b. \$25,000 at the start of each of the next three calendar quarters following the Advisory Agreement Effective Date;
- ii) issue to SP Associates:
 - a. within six months and one day of the Advisory Agreement Effective Date, one million FogChain Shares at a deemed price of \$0.06 per FogChain Share.

The term of the Advisory Agreement ended January 8, 2020; all consideration owing to SP Associates under the Advisory Agreement, has been paid by FogChain as of the date of this Listing Statement.

January 31, 2019 – FogChain completed the necessary work in preparation for the launch of its unified cross-platform application development, testing and monitoring services platform, “**Trident**”. Trident provides developers with a range of tools to build, test, and monitor new applications using a single code base, while being natively developed across desktop, tablet, and mobile devices.

June 20, 2019 – James Cerna and Newton Energy Inc. were issued collectively 1,863,000 FogChain Common Shares pursuant to the conversion of 1,863,000 FogChain Restricted Voting Shares. No additional consideration was paid in connection with the conversion of such securities.

July 4, 2019 – Pursuant to the Advisory Agreement, FogChain agreed to issue 1,000,000 FogChain Common Shares to an advisor at the deemed issue price of \$0.055 per FogChain Common Share.

July 25, 2019 – FogChain entered into a non-binding letter of intent with Loop Media, Inc., a company incorporated under the laws of Delaware, whereby the parties intended to complete a business combination that would have constituted a reverse takeover of FogChain by Loop Media Inc.

October 23, 2019 – FogChain and Loop Media, Inc. terminated the letter of intent with respect to their contemplated business combination.

November 5, 2019 – FogChain entered into a non-binding letter of intent with Canadian Teleradiology Services Inc., a company incorporated under the federal laws of Canada, whereby the parties intended to complete a merger that would have constituted a reverse takeover of FogChain by Canadian Teleradiology Services Inc.

December 17, 2019 – FogChain entered into a definitive share exchange agreement with Canadian Teleradiology Services Inc. and its shareholders with respect to the contemplated merger.

June 22, 2020 – FogChain terminated the definitive share exchange agreement with Canadian Teleradiology Services Inc. and its shareholders.

July 5, 2020 – FogChain entered into a non-binding letter of intent with Global Star Education Group Limited, a company incorporated under the laws of British Columbia, whereby the parties intended to complete a business combination that would have constituted a reverse takeover of FogChain by Global Star Education Ltd.

August 20, 2020 - FogChain entered into a definitive agreement with Global Star Education Ltd. and 1262229 B.C. Ltd, a wholly-owned subsidiary of FogChain, with respect to their contemplated business combination.

November 2, 2020 – FogChain terminated the definitive agreement with Global Star Education Ltd. and 1262229 B.C. Ltd, with respect to their contemplated business combination.

January 12, 2021 - FogChain entered into a non-binding letter of intent with Avisia with respect to the Merger.

February 1, 2021 - FogChain entered into the Merger Agreement with Avisia and FogChain Sub with respect to the Merger.

March 23, 2021 – FogChain entered into a debt settlement agreement with Varshney Capital Corp., a company incorporated under the laws of British Columbia, whereby the parties agreed that in satisfaction of CDN\$85,000 in accounts receivable owed to Varshney Capital Corp., FogChain would issue, on a pre-Consolidation basis, 1,545,454 FogChain Common Shares to Varshney Capital Corp. at a deemed issue price of CDN\$0.055 per FogChain Common Share.

On April 20, 2021, FogChain closed the Merger with Avisia and FogChain Sub pursuant to the terms of the Merger Agreement.

Pipeline Transactions

Additional information pertaining to FogChain, including financial information, is contained in the various disclosure documents of FogChain filed with applicable securities commissions and made available under FogChain's SEDAR profile at www.sedar.com.

3.2 Significant Acquisitions or Dispositions

Avisia

Significant Acquisitions

Avisia has not made any significant acquisitions during its three most recently completed financial years.

Significant Dispositions

Avisia has not made any significant dispositions during its most recently completed financial year.

FogChain

Significant Acquisitions

Other than the acquisition of Mukuba Resources Limited, RadJay, and Quilmont, FogChain has not completed any significant acquisitions during its three most recently completed financial years.

On August 31, 2018, FogChain completed its acquisition of Quilmont, a software development technology and solutions provider, in an all-stock transaction. FogChain issued 4,100,000 FogChain Common Shares with a fair value

of US \$935,306. Quilmont specializes in automated testing, continuous integration deployment, mobile and website development, and software quality assurance.

On June 1, 2018, FogChain completed its acquisition of RadJav, and other related assets from Higher Edge Software, LLC pursuant to the RadJav Agreement; FogChain issued 10,000,000 FogChain Common Shares with a fair value of \$2,969,890 and paid \$250,000 cash. RadJav is a rapid application development platform, and the acquisition includes its OpenSSL cryptography library, Linux compatibility, WebSockets, HTTP Server and Electrum Wallet, as well as other related content and intellectual property assets.

Significant Dispositions

FogChain has not made any significant dispositions during its most recently completed financial year.

The Transaction

Avisa Financing

Avisa completed the Avisa Financing on April 16, 2021, issuing 1,540,741 Avisa Subscription Receipts at a price of \$0.45 per Avisa Subscription Receipt, to raise gross proceeds of \$693,336, pursuant to the terms and conditions of the Subscription Receipt Agreement.

Each Avisa Subscription Receipt was convertible into one Avisa Common Share, without payment of additional consideration or further action on the part of the holder of Avisa Subscription Receipts, upon satisfaction of the Escrow Release Conditions. Upon completion of the Merger, each Avisa Common Share issued pursuant to the conversion of the Avisa Subscription Receipts became one Resulting Issuer Share.

Pursuant to the terms of the Subscription Receipt Agreement entered into between the Avisa Subscription Receipt Escrow Agent and Avisa, each Avisa Subscription Receipt was automatically convertible into one Avisa Common Share upon:

- (a) the completion or satisfaction or waiver of all conditions precedent to the completion of the Merger (other than the release of the funds held by the Avisa Subscription Receipt Escrow Agent);
- (b) the receipt of all shareholder and regulatory approvals required in connection with: (i) the completion of the Merger and (ii) the conditional listing approval (subject only to standard listing conditions) of the Resulting Issuer Common Shares; and
- (c) Avisa having delivered the Release Notice to the Avisa Subscription Receipt Escrow Agent confirming that all escrow release conditions have been met or waived (collectively, the “**Escrow Release Conditions**”).

If the subscriber was an Eligible Holder, immediately prior to the completion of the Merger, each Avisa Common Share issued pursuant to the conversion of Avisa Subscription Receipts would be transferred to FogChain in exchange for the issuance by FogChain of one (1) FogChain Common Share, on a post-Consolidation basis, for each such Avisa Common Share, to be made effective immediately prior to the completion of the Merger and with no additional consideration or further action by the holders thereof. Each Avisa Common Share not exchanged pursuant to the foregoing shall be exchanged for one Resulting Issuer Common Share upon completion of the Merger for no additional consideration and without any further action by the holders thereof.

The holders of Avisa Subscription Receipts were not entitled to vote at meetings Avisa’s securityholders nor were the holders of Avisa Subscription Receipts entitled to receive a dividend when, as, and if a dividend was declared by Avisa Board.

In the event that the Avisa Subscription Receipt Escrow Agent did not receive the Release Notice on or prior Release Deadline, or if prior to such time, Avisa advised the Avisa Subscription Receipt Escrow Agent or announces to the public that it does not intend to satisfy the Escrow Release Conditions, the Avisa Subscription Receipt Escrow Agent would have returned to holders of the Avisa Subscription Receipts their *pro rata* portion of the funds held by the Avisa Subscription Receipt Escrow Agent and any interest earned thereon less applicable withholding taxes, if any. To the extent that the funds held by the Avisa Subscription Receipt Escrow Agent (including accrued interest) were not sufficient to return to each holder of Avisa Subscription Receipts their *pro rata* portion of the subscription price, Avisa would have contributed such amounts as are necessary to satisfy any shortfall. Following the return of the aggregate

subscription price to the holders of the Avisia Subscription Receipts, the Avisia Subscription Receipts would have been cancelled.

The Merger Agreement

Upon the terms and conditions of the Merger Agreement, on April 20, 2021, Avisia was, pursuant to the applicable provisions of the DGCL, merged with and into FogChain Sub, and the separate corporate existence of Avisia thereupon ceased in accordance with the provisions of the DGCL. FogChain Sub was the surviving corporation in the Merger, continues to exist as the surviving corporation under the name, “*Avisia Diagnostics USA Inc.*” pursuant to the provisions of the DGCL and continues to exist as the same legal entity as existed before the Merger.

The Merger

The following steps, among other things, were completed prior to the Merger:

- (a) FogChain completed the Consolidation;
- (b) the current directors of FogChain resigned and the replacement directors of the Resulting Issuer were elected to be effective following the completion of the Merger;
- (c) FogChain changed its name to “*Avisia Diagnostics Inc.*”;
- (d) the issued and outstanding Avisia Subscription Receipts were exchanged into Avisia Common Shares in accordance with their terms and the Escrowed Proceeds were released from escrow;
- (e) the issued and outstanding Notes were converted into Avisia Common Shares in accordance with the terms thereof (the “**Notes Conversion**”);
- (f) the issued and outstanding Avisia Preferred Shares were converted into Avisia Common Shares in accordance with the articles of incorporation of Avisia (the “**Preferred Shares Conversion**”);
- (g) the Promissory Note Warrants were issued to the holders of Promissory Notes;
- (h) each issued and outstanding Avisia Common Share issued pursuant to the Avisia Subscription Receipt held by an Eligible Holder were disposed of to FogChain in exchange for the issuance by FogChain of one (1) FogChain Common Share to such holder (on a post-Consolidation basis);
- (i) each issued and outstanding Avisia Common Share issued pursuant to the Avisia Subscription Receipt acquired by FogChain in paragraph (h) above were disposed of to FogChain Sub in exchange for the issuance by FogChain Sub to FogChain of one (1) validly issued, fully paid and non-assessable share of common stock in the capital of FogChain Sub; and
- (j) Avisia issued and delivered the GEM Warrants.

As a consequence of the Merger:

- (a) each issued and outstanding Avisia Common Share (excluding the Avisia Common Shares underlying the Avisia Subscription Receipt acquired by FogChain Sub in paragraph (i) above, but including all other Avisia Common Shares issued upon conversion of the Avisia Subscription Receipts, the completion of the Notes Conversion and the completion of the Preferred Shares Conversion) were automatically converted into the right to receive the following:
 - (i) with respect to each Avisia Common Share other than Avisia Common Shares with respect to which an election to receive Resulting Issuer Restricted Voting Common Shares (the “**Restricted Voting Share Election**”) had been made, the right to receive a number of Resulting Issuer Common Shares determined as the number of Avisia Common Shares held multiplied by the Exchange Ratio; and

- (ii) with respect to each Avisia Common Share with respect to which a Restricted Voting Share Election has been made by holder thereof, the right to receive a number of Resulting Issuer Restricted Voting Common Shares determined as the number of Avisia Common Shares with respect to which the Restricted Voting Share Election had been made, multiplied by the Exchange Ratio;
- (b) each Avisia Option outstanding immediately prior to the Effective Time was cancelled and exchanged for Resulting Issuer Options on the following basis:
 - (i) the number of Resulting Issuer Common Shares subject to the Resulting Issuer Option, rounded down to the nearest whole share, equals the number of Avisia Common Shares issuable upon exercise of the Avisia Option immediately prior to the Effective Time multiplied by the Exchange Ratio;
 - (ii) the exercise price of the Resulting Issuer Option will be equal to the greater of (x) \$0.05 per Resulting Issuer Share, and (y) the exercise price of the Avisia Option divided by the Exchange Ratio, rounded up to the nearest whole cent;
 - (iii) the other terms and conditions of the Resulting Issuer Option will be equivalent to the terms and conditions of the Avisia Option, including with respect to term, expiry date and vesting;
 - (iv) the Resulting Issuer Option are otherwise governed by the Resulting Issuer Stock Option Plan to the extent that the terms of the stock option plan of FogChain do not conflict with the above;
 - (v) it is the intention of the parties that each assumed Resulting Issuer Option shall continue to qualify following the Effective Time as an incentive stock option as defined in Section 422 of the Code to the extent permitted under Section 422 of the Code and to the extent the related Avisia Option qualified as an incentive stock option immediately prior to the Effective Time; and
 - (vi) the exercise price per share and the number of Resulting Issuer Shares purchasable pursuant to each Resulting Issuer Option exchanged for Avisia Options following the Effective Time as well as the terms and conditions of such option shall be determined in a manner in order to comply with Sections 424(a) and 409A of the Code;
- (c) each outstanding Avisia Warrant was cancelled and exchanged for Resulting Issuer Warrants on the following basis:
 - (i) the number of Resulting Issuer Common Shares subject to the Resulting Issuer Warrants equals the number of Avisia Common Shares issuable upon exercise of the Avisia Warrants immediately prior to the Effective Time, multiplied by the Exchange Ratio;
 - (ii) the exercise price of the Resulting Issuer Warrant equals to the greater of (x) \$0.05 per Resulting Issuer Share, and (y) the exercise price of the Avisia Warrant divided by the Exchange Ratio, rounded down to the nearest whole cent; and
 - (iii) the other terms and conditions of the Resulting Issuer Warrants will be equivalent to the terms and conditions of the Avisia Warrants, including with respect to term and expiry date;
- (d) each issued and outstanding Avisia Common Share held by FogChain Sub as at the Effective Time was cancelled without any repayment of capital in respect thereof;
- (e) each share of capital stock of FogChain Sub issued and outstanding immediately prior to the Effective Time (including those issued in paragraph (i) above) was converted into, and became, one

validly issued, fully paid and non-assessable share of common stock, par value \$0.001 per share of Mergeco;

- (f) as consideration for the issuance by the Resulting Issuer of Resulting Issuer Shares pursuant to paragraph (a) above, Mergeco issued to the Resulting Issuer such number of fully paid and non-assessable shares of common stock, par value \$0.001 per share, as Mergeco reasonably determines had an aggregate fair market value equal to the aggregate fair market value of the Resulting Issuer Shares issued pursuant to paragraph (a) above;
- (g) as consideration for the issuance by the Resulting Issuer of Resulting Issuer Options and Resulting Issuer Warrants pursuant to paragraphs (b) through (c) above, respectively, Mergeco issued one validly issued, fully paid and non-assessable share of common stock, par value \$0.001 per share, to the Resulting Issuer for each such issued Resulting Issuer Option and Resulting Issuer Warrant; and
- (h) the fully paid and non-assessable shares of common stock, par value \$0.001 per share, of Mergeco issued pursuant to paragraph (e) through (g) above constitute the only outstanding shares of capital stock of Mergeco.

This summary does not purport to be a complete summary of the Merger Agreement and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is available for review under the Resulting Issuer's SEDAR profile at www.sedar.com.

Effective Date

The Closing took place on April 20, 2021.

Representations and Warranties

The Merger Agreement contains customary representations and warranties of FogChain, FogChain Sub and Avisia. These include, among other things, representations and warranties made as to: (i) corporate organization and valid existence, power to conduct business, qualification and good standing of the respective entities and any of their subsidiaries; (ii) ownership of any subsidiaries and other investments; (iii) the requisite corporate power and capacity of the respective entities to enter into and perform their obligations under the Merger Agreement, and the valid authorization, execution and delivery thereof; (iv) no consents, authorizations or approvals being required in connection with the execution and delivery of the Merger Agreement and that such execution and delivery will not violate applicable laws, charter documents, contracts and court orders; (v) compliance with disclosure obligations of the CSE, Canadian securities regulators and any other applicable Securities Laws, as the case may be, and the applicable rules and regulations promulgated thereunder; (vi) compliance with other applicable laws and regulations and with the charter documents of each of the respective entities; (vii) financial statements; (viii) tax matters; (ix) matters affecting the voting, control or sale of the securities of the respective entities and their subsidiaries; (x) litigation and government proceedings; (xi) material contracts; (xii) capitalization; (xiii) indebtedness; (xiv) employment matters; (xv) related party transactions; (xvi) corporate records; and (xvii) brokers' fees. Furthermore, Avisia will make additional representations and warranties to FogChain as to matters including the intellectual property of Avisia.

Conditions Precedent to FogChain's Obligations

The obligations of FogChain to complete the Merger were subject to the fulfillment prior to or at the Closing of each of the following conditions: (a) receipt of a certificate of an officer of Avisia as to the truth of the representations and warranties in the Merger Agreement and the performance of its obligations thereunder; (b) that all required approvals, consents and authorizations of third parties have been obtained, including all necessary shareholder approval and the approval of the CSE; (c) there shall not have been a material adverse change in the business, results of operations, assets, liabilities, financial condition or affairs of Avisia since the date of the Merger Agreement; (d) certain closing deliveries have been made and other obligations have been satisfied, including the exchange of the Avisia Common Shares underlying the Avisia Subscription Receipts held by Eligible Holders for FogChain Common Shares, on a post-Consolidation basis; (e) all proceedings to be taken in connection with the Merger shall be satisfactory in form and

substance to FogChain, acting reasonably; (f) the escrowed proceeds of the Avisia Financing (the “**Escrowed Proceeds**”) have been released from escrow; (g) there shall be no action or proceeding, pending or threatened, or any applicable laws proposed, enacted or applied to enjoin, restrict or prohibit any of the transactions contemplated by the Merger Agreement or which could reasonably be expected to result in a material adverse effect; and (h) the issuance of the all securities of the Resulting Issuer contemplated by the Merger Agreement is exempt from, or not subject to the registration requirements under U.S. Securities Laws and all applicable state Securities Laws.

Conditions Precedent to Avisia’s Obligations

The obligations of Avisia to complete the Merger were subject to the fulfillment prior to or at the Closing of each of the following conditions: (a) receipt of a certificate of an officer of FogChain as to the truth of the representations and warranties in the Merger Agreement and the performance of its obligations thereunder; (b) that all required approvals, consents and authorizations of third parties have been obtained, including all necessary shareholder approval and the approval of the CSE and that FogChain shall have effected the Name Change, and the Consolidation; (c) there shall not have been a material adverse change in the business, operations or results of operations, assets, liabilities, financial condition or affairs of FogChain since the date of the Merger Agreement, other than a reduction in its cash position to pay professional fees and expenses in connection with the Merger; (d) certain closing deliveries have been made and other obligations have been satisfied, including the exchange of the Avisia Common Shares underlying the Avisia Subscription Receipt held by Eligible Holders for FogChain Common Shares, on a post-Consolidation basis; (e) all proceedings to be taken in connection with the Merger shall be satisfactory in form and substance to Avisia, acting reasonably; (f) the Escrowed Proceeds have been released from escrow; (g) the Resulting Issuer Shares to be issued as consideration for the Avisia Common Shares at the time of the Merger shall be freely tradeable, subject to usual restrictions; and (h) there shall be no action or proceeding, pending or threatened, or any applicable laws proposed, enacted or applied to enjoin, restrict or prohibit any of the transactions contemplated by the Merger Agreement or which could reasonably be expected to result in a material adverse effect on FogChain.

Termination

The Merger Agreement could, prior to the Effective Date, have been terminated by mutual written agreement of FogChain and Avisia and would have terminated if the closing of the Merger had not occurred by June 30, 2021. Either FogChain or Avisia could have terminated the Merger Agreement if any applicable regulatory or governmental authority has notified a party of its determination to not permit the Merger to proceed, in whole or in part, and the parties had used commercially reasonable efforts to appeal or reverse such determination or modify the Merger on a basis that is not prejudicial to either party thereto in order to address such determination.

In the event the Merger Agreement is terminated, the terminating party will be released from all obligations under the Merger Agreement, save and except for obligations that survive by their terms and obligations, if any, relating to the covenants of the parties regarding confidentiality and the requirement that each party will be responsible for its own legal and audit fees and other charges and expenses incurred in connection with the Merger, which will survive.

3.3 Trends, Commitments, Events or Uncertainties

Other than such trends as are discussed elsewhere in this Listing Statement (see Section 4.1), the management of Avisia is not aware of any trend, commitment, event or uncertainty that is reasonably expected to have a material effect on the business, financial condition or results of operations of Avisia.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General Business of the Resulting Issuer

The business of the Resulting Issuer will be that of Avisia. Upon the completion of the Transaction, the Resulting Issuer will assess whether it will retain in whole or in part, or any at all, of the current assets of FogChain.

General Business of Avisia

To accomplish the Resulting Issuer's stated business objectives, it will work towards the following milestones in accordance with the timelines at the anticipated costs set out below. Funding for these initiatives will come initially from consolidated working capital and the concurrent Avisia Financing.

Milestones

Following the completion of the Transaction, the Resulting Issuer anticipates working towards several milestones, each of which are critical to Avisia's success but contingent upon total funds available (as described below), including:

What Avisia must do and how Avisia will do it	Number of months to complete	Cost to complete
Competition of Pilot VAP Breath Capture System • Pilot-level product operational parameters specification and design to be completed by Avisia personnel, then a collaboration with contract manufacturing partners to develop point of care prototype components and supplies	4-6 months	\$87,000
Competition of Laser Spectrometer Device • Verification of instrument and cart system, including specifications for symbol and screen layout to be completed by Avisia personnel in collaboration with contract manufacturing partners	5-7 months	\$24,000
Toxicity Study of Drug (<i>AV-UI3</i>) • Contract with a specialty provider of toxicity study services to conduct a 14-day inhalation challenge followed by 7-day recovery dog toxicity trial of <i>AV-UI3</i> for tolerance & pharmacokinetic impact	7-9 months	\$672,875
Drug (<i>AV-UI3</i>) Batch Creation • Contract with a specialty provider of lyophilized pharmaceuticals to create a batch of <i>AV-UI3</i> suitable for Avisia's clinical trials	9-11 months	\$315,200
FDA Approval of the Investigational Device Exemption for VAP and post COVID-19 Study • Avisia personnel, assisted by regulatory expert consultants, will prepare an application for the FDA to approve trials of Avisia's diagnostic candidates, then Avisia will meet with the FDA and make corrections to the application as required to secure approval	9-12 months	\$166,800

Long Term Objectives

Objective	Timeframe	Expected Costs
Development of Commercial VAP Link Breath Collection Instrument	August 2021 – May 2022	\$915,000

Objective	Timeframe	Expected Costs
Commercial-level product specification and design to be completed by Avisia personnel, then a collaboration with contract manufacturing partners to develop point of care components and supplies for the commercial product		
Study of <i>ABT</i> for VAP and post COVID-19 After securing FDA approval, trials of Avisia’s diagnostic candidates as detailed below in <i>Future Clinical Studies</i>	April 2022 – May 2023	\$4,500,000
Drug (<i>AV-UI3</i>) Manufacturing Optimization Contract with a specialty provider of lyophilized pharmaceuticals to create an optimized batch process to produce <i>AV-UI3</i> suitable for Avisia’s commercial sales	August 2022 – November 2023	\$3,696,735
Begin Commercial Sales of <i>ABT</i> for VAP and post COVID-19 Upon FDA approval for each indication, Avisia will commercialize the <i>ABT</i> through direct and channel partner sales	2024	TBD

Avisia Business Operations

When treating pulmonary infection, every minute is critical. Current diagnostic options do not offer the speed, accuracy, or ease of use to meet the demands of timely treatment for lung infections. Avisia offers an innovative approach to treating lung infections with rapid diagnostics to guide better clinical outcomes.

The Avisia breath biomarker technology detects bacterial load in minutes, providing clinicians with a superior tool in order to: reduce ventilator-associated pneumonia (“VAP”) in ventilated patients and quantitatively monitor antibiotic therapies; mitigate post COVID-19 exacerbations of COVID-19 survivors; mitigate exacerbations of patients with chronic obstructive pulmonary disease; monitor therapy and to mitigate the overuse of broad-spectrum antibiotics in community-acquired pneumonia; and allow active tuberculosis diagnoses and monitoring of treatment compliance. The *Avisia BreathTest*TM (“*ABT*”) is a novel use of a spectrometer and an inhaled (nebulized or directly administered) drug that is metabolized by bacteria, producing a labeled CO₂ biomarker that identifies pulmonary infections with results in less than 10 minutes. The *ABT* is utilized as a thermometer for the lungs and represents an effective alternative to sputum culture-based diagnostics.

Avisia estimates that the U.S. market opportunity for VAP and post COVID-19 is \$3.3 billion.^{2,3} The European Common Market and the UK roughly doubles the size of this market. Avisia anticipates this market will grow significantly due to the increased utilization of ventilators brought on by the COVID-19 pandemic as well as the growth of the post COVID-19 patient population at risk of chronic pulmonary infections (especially bronchiectasis). The ease of use and rapid result of the *ABT* is ideally positioned to drive utilization, market penetration, and future growth.

Avisia has been working to manage three elements of risk in order to execute on its vision. Avisia has worked to lower risk from a clinical perspective by leveraging an existing technology in a novel application. Avisia has worked to lower risk from a fundraising perspective through a capital financing arrangement for up to \$40 million under the GEM Agreement. Avisia intends that the GEM Agreement will supplement its cash needs through the anticipated product development and FDA trial period before commercialization. Finally, Avisia intends to lower risk from a manufacturing perspective by contracting experienced medical device and drug manufacturers for the manufacture of its devices and drug products when the Avisia’s products are ready to be commercialized.

Corporate History

² Intensive Care Medicine (2020). “Ventilator-associated pneumonia in adults: a narrative review”. Laurent Papazian, Michael Klompas & Charles-Edouard Luyt. <https://link.springer.com/article/10.1007/s00134-020-05980-0>.

³ “Post COVID-19 bronchiectasis: a potential epidemic within a pandemic” Ricardo J Jose, et.al. <https://doi.org/10.1080/17476348.2020.1804366>.

Avisa was founded, and continues to be based, in Santa Fe, New Mexico in the United States. Avisa's formal operations started as a result of a license from the University of New Mexico office of Science and Technology Center (STC.UNM, now known as UNM Rainforest Innovations) executed on November 5, 2011. While there are multiple uses of breath test platform technology, Avisa decided to focus on the lung bacteria detection. As of the date of this Listing Statement, Avisa has raised approximately \$15 million from institutions and individuals to develop and validate this technology through product development and pilot clinical trials.

Pneumonia Diagnostics Market

Pneumonia costs the U.S. healthcare system more than \$17 billion annually⁴ and Avisa believes that the market opportunity for its tests for use in the detection and monitoring of pneumonia are significant. Additionally, in major part due to the lack of rapid diagnostic testing, the dramatic rise in the overuse of broad-spectrum antibiotics in a "one-size-fits-few" treatment approach to pneumonia has led to a major global public health crisis in antibiotic resistance, with the CDC indicating that thirty-five thousand people die in the U.S. annually due to antibiotic resistance.⁵ Furthermore, in March 2020, *The Lancet* published a scientific journal article indicating that almost half of COVID-19 deaths resulted from a co-infection of bacteria.⁶

Timely information is needed to guide pneumonia treatment; however, the current criterion standard sputum culture microbiology takes days and often fails to accurately detect infections. Numerous scientific studies have demonstrated that appropriate interventional treatment is needed in minutes, not hours/days, as every hour delayed meaningfully increases the mortality rate of respiratory infections.⁷ The lack of rapid, point-of-care diagnostic tools may force physicians to choose to use antibiotics, and may cause them to prescribe powerful broad-spectrum intravenous antibiotics. Numerous studies have demonstrated that treatment indication, choice of agent or duration of antibiotic therapy is incorrect in up to 50% of cases, and has resulted in unnecessary hospitalizations, increased length of hospital stay, overuse of expensive intravenous antibiotics and the proliferation of antimicrobial resistant bacteria.⁸ Furthermore, once treatment has begun, there is a need for a quantitative measure of bacterial load to track disease progression and treatment choices. There is currently no way to effectively and rapidly monitor lung microbiology. The current standard diagnostic technique (microbiological culture of sputum or other fluids obtained from lung) requires a high level of expertise and so is best performed in specialized settings. These cultures grow slowly, and laboratory test results typically take 2 to 3 days to produce. All existing sampling techniques examine only the local environment from which the sample was collected and fail to produce a global picture of lung microbiology. In addition, sample collection can be difficult, and is often subject to human error. Due to the use sputum culture, other molecular diagnostic tests for pneumonia are also often subject to sampling, scope, and other difficulties.

Pneumonia is particularly a risk for ventilated patients with dire implications for morbidity, mortality, and costs due to extended lengths of stay in the ICU and hospital nursing units. Prior to the COVID-19 pandemic, there were 1.7 million patients on ventilators in the U.S. alone with 400,000 diagnosed with ventilator-associated pneumonia each year (22.8% incidence rate) and a mortality rate of 50%.^{9,10} VAP is also more likely to be severe and thus requires a rapid and informative diagnostic tool to aid in early detection and clinical decision-making.

The *ABT* is intended to dramatically reduce the impacts of ventilator-associated pneumonia in ventilated patients. An Avisa breath fractionator (patent pending) makes it possible to detect and monitor ventilated patients is based upon the ability to capture ventilated patient breath without interrupting the venting cycle. Without this invention, it is not possible for Avisa or any other company to pursue this indication. By monitoring the bacterial load of patients on ventilators in real-time, the *ABT* is able detect and quantify immediate rise in bacterial load to promote more timely treatment options. If the *ABT* does not detect a rise in bacterial load in 48 to 72 hours, clinicians have more confidence

⁴ NCBI (2013). "Community Acquired Pneumonia Episode Costs by Age and Risk in Commercially Insured US Adults Aged ≥50 Years". <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3663984>.

⁵ Centers for Disease Control (2019). "2019 AR Threats Report". <https://www.cdc.gov/drugresistance/biggest-threats.html>.

⁶ Zhou et al. "Clinical course and risk factors for mortality of adult inpatients with COVID-19 in Wuhan, China: a retrospective cohort study". *The Lancet*. March 2020. [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)30566-3/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30566-3/fulltext)

⁷ Crit Care (2006). "Duration of hypotension before initiation of effective antimicrobial therapy is the critical determinant of survival in human septic shock". <https://www.ncbi.nlm.nih.gov/pubmed/16625125>.

⁸ NCBI (2015). "The Antibiotic Resistance Crisis, Part 1 Causes and Threats". <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4378521>.

⁹ NCBI (2014). "Ventilator associated pneumonia in advanced lung disease: A wakeup call". <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3960802>.

¹⁰ Journal of Critical Care (2015). "Epidemiological trends in invasive mechanical ventilation in the United States: A population-based study". <https://www.sciencedirect.com/science/article/abs/pii/S0883944115003743?via%3Dihub>.

that patients are unlikely to be diagnosed with VAP resulting in a shorter length of stay in the ICU/CCU unless there are other co-morbidities present. Preventing migration to VAP can and will lower morbidity, mortality overuse of antibiotics and healthcare costs, as well as secondary infections resulting in extended hospital stays.

Post COVID-19

As of February 2021, over 100 million people globally have been infected with the SARS-CoV-2 virus that results in COVID-19, including 25 million in the U.S.¹¹ The ongoing COVID-19 pandemic will continue to have, whether patients are hospitalized or not, multiple long-term COVID-19-related respiratory illnesses (“**post COVID-19**”) requiring diagnosis, monitoring, and treatment. For example, the effects of mechanical ventilation on the respiratory system with COVID-19 patients evidences growing incidence of bronchiectasis, a condition where the bronchial tubes of the lungs are permanently damaged and thickened. These damaged air passages allow bacteria and mucus to build up and pool in your lungs. This results in frequent bacterial infections and blockages of the airways affects quality of life, morbidity, and mortality. In a recent metadata study of COVID-19 survivors, a “potential epidemic within a pandemic,” cites a 52% incidence of bronchiectasis sub type implicated in structural lung change, leading to pulmonary fibrosis and bacterial pneumonia.^{3,12} Avisia estimates that there are at least 1.3 million post COVID-19 patients with bacterial lung infections that could benefit from the *ABT*.

Furthermore, in the U.S., there are 100 pulmonologists leading COPD follow-up clinics located within major medical centers. Similar post COVID-19 clinics directed by the same physician leadership have been begun to organize. As post COVID-19 follow-up clinics in major medical centers proliferate, the reliance on CT scanning will negatively impact clinical throughput, given the potential volume of both non-hospitalized and hospitalized post COVID-19 patients. The *ABT* has a unique ability to address this emerging problem and impact on the healthcare system.

Regulatory Environment

Avisia’s products are subject to regulation by the FDA. The *ABT* is regulated as a Class III device requiring a Pre-Market Approval (“**PMA**”). Avisia believes that seeking PMA is advantageous because competitors cannot use the *ABT* as a predicate (which would be possible with a 510(k) route) and must run their own separate clinical trials to achieve PMA. This creates a significant barrier for Avisia’s competitors to enter the market. PMA also grants Avisia regulatory market exclusivity for a period of six years from the date of the PMA.

Avisia has significant experience interacting with the FDA, including IDE approvals from the FDA for two investigator-initiated pilot studies sponsored by Avisia of its urea breath test at the University of New Mexico for Cystic Fibrosis (G120190, granted in 2014) and Pneumonia in the Emergency Department (G170038, granted March 10, 2017). An IDE supplement adding the Henry Ford Hospital as a site to the Pneumonia in the Emergency Department clinical study was approved on July 7, 2017. Through use of a pre-submission meeting and the advice from Avisia’s regulatory consultants, the Pneumonia in the Emergency Department IDE and supplement were accepted and approved by FDA in less than the usual time limits. These activities demonstrate the completeness of Avisia’s applications and Avisia’s expertise in interacting with the FDA.

In addition to its successful interactions with the FDA, Avisia has worked with international regulatory agencies as evidenced by the approval from the South Africa Medicines Control Council regulatory body in 2015 for its 100-subject study of the *ABT* for detection of tuberculosis conducted in Durban, South Africa.

Avisia’s clinical trial plan is to combine both VAP and post COVID-19 respiratory studies as part of the same IDE approval. This FDA approval trial will be based on monitoring patients on mechanical ventilators and post COVID-19 patients to determine bacterial load and compare the *ABT* to standard sputum culture microbiology and sputum-based PCR. The IDE approvals of the Pneumonia in the Emergency Department study are a significant achievement because the study protocol reviewed and approved by FDA provide a template for the ventilator associated pneumonia and post-COVID-19 clinical trial.

¹¹ Centers for Disease Control (2021). “United States COVID-19 Cases and Deaths by State”. https://covid.cdc.gov/covid-data-tracker/#cases_totalcases.

¹² American Journal of Roentgenology (2020). “Relation Between Chest CT Findings and Clinical Conditions of Coronavirus Disease (COVID-19) Pneumonia: A Multicenter Study”. <https://www.ajronline.org/doi/full/10.2214/AJR.20.22976>.

General Business of FogChain

FogChain's Business Operations

FogChain was previously seeking to be an end-to-end software development life cycle (SDLC) and quality assurance solutions provider, but the Company's business is now limited to identifying and evaluating assets or businesses for an acquisition.

Intellectual Property Development

Development of FogChain's intellectual property began in April 2017, when FogChain's founders conducted a search for comparable products, services and prior art and identified a market opportunity. FogChain has explored patent protection in the past for several inventions involving rapid software development, improved Blockchain technologies, and edge computing. In connection therewith, FogChain engaged the services of Knobbe, Marten, Olson & Bear, LLP, one of the largest U.S. intellectual property and technology law firms. FogChain's intellectual property counsel has conducted research on the patentability of FogChain's inventions and believes the inventions are valid. Since December 2017, FogChain has paid an aggregate of approximately \$43,000 in legal expenses in connection with its patent applications. The following patents have been filed:

Title: DECENTRALIZED ACCESS CONTROL FOR AUTHORIZED MODIFICATIONS OF DATA USING A CRYPTOGRAPHIC HASH

U.S. Application No.: 16/005272

Filed: June 11, 2018

Published: Dec 12, 2019

Publication No: 2019/0379673

Title: LOCALIZED ACCESS CONTROL FOR AUTHORIZED MODIFICATIONS OF DATA USING A CRYPTOGRAPHIC HASH

U.S. Application No.: 16/560804

Filed: September 4, 2019

Title: DATA ACCESS CONTROL FOR EDGE DEVICES USING A CRYPTOGRAPHIC HASH

Application No.: 16/747796

Filing Date: January 21, 2020

Total Funds Available

Based on information available as at April 30, 2021, upon completion of the Transaction, the Resulting Issuer is expected to have approximately \$40,405,866 in Available Funds, which includes the following:

Estimated Funds Available	Amount (\$)
Consolidated working capital	119,675
Avisa Financing	693,336
Estimated fees and expenses of the Transaction ⁽¹⁾	407,229
Availability of GEM Agreement Drawdowns	40,000,000
Total Estimated Available Funds	40,405,782

Notes:

- (1) Estimated fees and expenses of the Transaction are made up of estimated cash transactions costs of \$407,229, and do not include the non cash listing expense. The \$407,229 in estimated fees and expenses of the Transaction are comprised of \$300,000 for legal and accounting fees and \$107,229 in expenses to retire the Haywood Note.

Purpose of Funds

Based on information available as at April 30, 2021, the following table sets forth the principal purposes for which the Available Funds upon completion of the Transaction will be used and the current estimated amounts to be used for each such principal purpose:

Principal Use of Available Funds	Amount (\$)
Product Development for 12 months	1,283,400
Clinical Development for 12 months	839,675
General Working Capital for 12 months	2,807,106
Retirement of Accounts Payable Balances for 12 months	450,000
Product Development for the period from April 2022 to December 2023	4,077,835
Clinical Development for the period from April 2022 to December 2023	4,818,150
General Working Capital for the period from April 2022 to December 2023	5,943,416
Retirement of Accounts Payable Balances for the period from April 2022 to December 2023	50,000
Retirement of Loan Balances ⁽¹⁾	487,200
Total:	20,756,782

Notes:

- (1) \$487,200 of these funds are being used to retire thirty-two promissory notes (including accrued and outstanding interest) for working capital purposes due on September 30, 2022. \$100,000 in principal of promissory notes were issued on August 27, 2020. \$50,000 in principal of promissory notes were issued between October 21, 2020 and October 23, 2020. \$485,000 in principal of promissory notes were issued between December 4, 2020 and December 22, 2020.

The above sources and uses of funds are estimates only based on the Total Estimated Available Funds. Avisia expects Total Estimated Available Funds to significantly exceed the Principal Use of Available Funds by a factor of almost two to one at the time of the Transaction. Notwithstanding the proposed uses of Available Funds as discussed above, there may be circumstances where a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to execute the planned undertakings of the Resulting Issuer. For these reasons, management considers it to be in the best interests of the Resulting Issuer and its shareholders to permit a reasonable degree of flexibility as to how the Resulting Issuer's funds are employed among the above uses or for other purposes, as the need may arise.

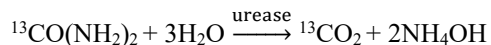
Principal Products of Avisia

The *ABT* provides a powerful and rapid test for detecting lung infection and for monitoring antibiotic treatment response in patients with a urease bacterial infection. Avisia uses a nebulized solution (which is the reduction of a medicinal solution to a fine spray) and measured breath analysis to monitor lung microbiology and response to therapy. The *ABT* differentiates virulent urease bacterial pathogens from other types of infections. As a result, Avisia anticipates that *ABT* will be used to assist in therapeutic intervention and monitoring of respiratory infections, and to combat the widespread overuse of antibiotics that has contributed to rise of antibiotic-resistant infections.

The *ABT* is a drug/device combination for the detection of urease-containing pathogens and guides the appropriate selection and use of antibiotics. Avisia's technology assesses the in-vivo bacterial load of live organisms in the entire lung by measuring exhaled carbon dioxide ("CO₂") that is produced by urease-containing pathogens in the lungs. These pathogens metabolize the inhaled dose of pharmaceutical grade urea (the "drug") labeled with C¹³ that has been designed for nebulization delivery ("*AV-UI3*") measurably changing the exhaled CO₂. Urea is a naturally occurring product of protein and amino acid catabolism in humans and other species. Pharmaceutical formulations of urea exist with topical and oral routes of administration utilized in FDA approved products, including ¹³C-urea, which has been used in the detection of *H. pylori* from breath samples. Avisia's human studies to date have shown no significant adverse events associated with nebulized *AV-UI3* administration. The *AV-UI3* formulation for nebulization is provided as a lyophilized powder for reconstitution in unit dose packaging. To date, 60-month stability studies of the unit dose *AV-UI3* have been completed successfully with no changes in the chemical constituents and bioburden that

would affect the drug. Reconstitution of the *AV-UI3* is achieved with 3 ml of sterile water. After reconstitution, the dose of *AV-UI3* is transferred to the reservoir of the Aerogen Solo mesh nebulizer for nebulization.

Inhaled *AV-UI3* is metabolized in the lung by pathogens that contain the urease enzyme into $^{13}\text{CO}_2$, a biomarker which is then exhaled in the breath and measured by a portable laser spectrometer within minutes. The amount of labeled carbon dioxide exhaled is a function of the amount of infection in the lung and expressed in the formula below.



The increased presence of $^{13}\text{CO}_2$ in the breath after *AV-UI3* nebulization is a marker of these pneumonia causing bacterial pathogens. The laser spectrometer quantifies the change in the ratio of $^{13}\text{CO}_2$ to $^{12}\text{CO}_2$ that is reported by the laser spectrometer as the DOB measurement. This measurement reflects the presence or absence of infecting urease pathogens that are known actors in pneumonia.

The instrument is a laser spectrometer designed for patient measurements in a hospital setting. The instrument uses a wavelength modulation spectroscopy (“WMS”) technique to measure changes in the ratio of $^{13}\text{CO}_2$ to $^{12}\text{CO}_2$ between baseline and post-nebulization breath samples. The instrument uses breath samples collected directly from the patient before and after nebulization of the *AV-UI3*. Collected breath samples are filtered using a 0.22 micron filter to prevent biologic and other contaminants from entering the instrument.

Avisa initially intends to commercialize both the instrument as well as a single use “*ABT Kit*” (which is primarily comprised of the *AV-UI3* compound, a sterile water solution, a disposable nebulizer which delivers the *AV-UI3* aerosolized solution, and a single use breath collection kit).

Approximately two years after initial commercialization, Avisa will complete development of a portable, laser spectrometer designed for point-of-care patient measurement at the patient bedside called *AVISAR*. *AVISAR* controls the timing of the breath collection, the drug nebulization, and breath sample pressure during WMS measurements. The *AVISAR* also clears measured samples from the spectroscopy subsystem to prevent sample crossover between measurements. The measurement performance of the portable *AVISAR* is expected to exceed that of laboratory-based systems currently used and is designed to work across the temperature and humidity ranges typically experienced in hospital and clinic settings.

Clinical Utilization

For initial pathogen diagnosis in ventilator patients, the *ABT* is designed to be administered approximately every two days once a patient is placed on a ventilator (which lasts an average of eight days in the U.S.) due to the high correlation between mechanical ventilation and VAP. For pathogen monitoring of VAP patients, the average length of stay is seven days so Avisa anticipates an average of three additional *ABT* tests performed during a patient’s hospitalization to monitor drug therapy.

For initial pathogen diagnosis in post COVID-19 patients, the *ABT* is designed to be administered once a patient presents with a subsequent respiratory illnesses after recovering from the initial COVID-19 infection. For pathogen monitoring of hospitalized post COVID-19 patients, Avisa anticipates that the average length of stay will be seven days (similar to average length of stay of pneumonia patients) so Avisa anticipates an average of three additional *ABT* tests performed during a patient’s hospitalization to monitor drug therapy.

Clinical Validation

Avisa has completed three pilot studies, described below, with positive outcomes in cystic fibrosis, tuberculosis and CAP pneumonia.

Avisa’s cystic fibrosis trial was an investigator-initiated proof of concept study with patients with *known p. aeruginosa* infections. This study was performed at the University of New Mexico in 2014 with six subjects, including three patients with cystic fibrosis and three control patients without cystic fibrosis. The study successfully concluded that there were clearly elevated signals in infected patients relative to healthy controls when administered nebulized ^{13}C -urea and, importantly, no safety concerns.

Avisa’s tuberculosis trial was a company sponsored pilot study with patients confirmed by sputum culture microbiology and PCR as being positive for tuberculosis. This study was performed in Durban, South Africa in 2015 with 49 subjects (29 patients with tuberculosis and 20 control patients). The study successfully concluded that there

was clearly elevated signal in infected patients relative to healthy controls when administered nebulized ¹³C-urea and, importantly, no safety concerns.

Avisa's CAP pneumonia trial was an investigator-initiated pilot study with patients in the emergency department diagnosed with pneumonia. This study was performed by the University of New Mexico and Henry Ford Hospital (Detroit) in 2019 with 75 subjects. The study successfully demonstrated positive results despite the 42 subjects who were unable to produce a valid sputum sample due to poor quality or unavailable sputum, which further validated the need for improved diagnostics. Importantly, the study also concluded there were no safety concerns.

Future Clinical Studies

A study of the use of the *ABT* in VAP and post COVID-19 detection of suspected bacterial infection and antibiotic monitoring: Avisa is planning a study of the *ABT*'s ability to detect and monitor urease pathogens in mechanically ventilated and post COVID-19 ICU subjects who are suspected of having a lower respiratory tract infection. In Q2 2022, Avisa will initiate the trial, which will be a multi-center, five hundred to one thousand subject, open label study to qualitatively detect urease producing pathogens in lungs of ventilated and post COVID-19 subjects using the *ABT*. The primary objective of the trial is to determine the relative sensitivity of the *ABT* in detection of urease pathogens in lungs of VAP and post COVID-19 patients when compared to a urease specific culture test. The secondary objectives are to: determine the specificity of the *ABT* relative to culture; determine the overall agreement of the *ABT* relative to culture; determine the positive predictive value of the *ABT* test; determine the negative predictive value of the *ABT* test; assess the relationship between *ABT* longitudinal test results and the clinical course of VAP and post COVID-19; and assess the safety of *AV-U13* administered by inhalation.

Manufacturing

Avisa intends to contract the manufacturing of the laser spectrometer instrument, the breath capture system, and the *AV-U13* drug product to experienced medical device and drug manufacturing organizations. The drug delivery components, including the disposable nebulizer, were approved by the FDA for use in patients on November 17, 2014, and will be procured from dedicated manufacturing organizations.

Intellectual Property

Avisa owns and has also exclusively in-licensed numerous issued and pending patents in the United States and select markets worldwide. In particular, the 7,717,857 patent (*Method for diagnosing P. aeruginosa*) was initially patented for one urease pathogen. In a bid for a broadening re-issue prosecution for all urease pathogens, Avisa was not only successful in validating its original patent, but was also awarded a broadening reissue of the 7,717,857 patent for all urease pathogens in the U.S. The broadening re-issue is vitally important because it has already been litigated with the USPTO, creating a significant legal barrier to anyone attempting to invalidate or infringe this patent. Avisa also has three pending patents and two new patent disclosures. Avisa has also filed trademarks with the USPTO on key corporate and product names, as disclosed below.

Trademarks:

Mark: **AVISADX**

Mark: **AVISA DIAGNOSTICS**

Mark: **AVBREATHTEST**

Mark: **AVISAR**

Mark: **AVISA**

Reimbursement

Equally important to FDA approval of the *ABT* is receipt of an optimal reimbursement code, amount and coverage decision from the Centers for Medicare & Medicaid Services. Since the *ABT* is both an ambulatory test and an inpatient

test, the likelihood is that there will be different coding for each area. There already exists a Current Procedural Terminology (CPT) code for an orally delivered¹³ C-urea breath test to detect peptic ulcers caused by *H. pylori* infection. Currently bundled reimbursement for the ambulatory *H. pylori* breath test is approximately \$170 per test. The *ABT Kit* includes a nebulizer, tubing and filter not present in the *H. pylori* breath test such that Avisia believes it can justifiably expect to receive a higher level of reimbursement. As reimbursement for use in the ICU, the price of the *ABT* will come under the existing diagnosis-related group (DRG) code. Avisia plans to meet with CMS to introduce the *ABT*, the potential for cost savings when using the *ABT* for pneumonia and post COVID-19 cases and to lay the groundwork for ambulatory and inpatient reimbursement decisions. Avisia has also engaged Reed Smith as Avisia's reimbursement counsel in Washington, DC to support the Avisia in this effort.

Avisia intends to engage PurchaseWise Health Technology, a consultant that will conduct a value-based outcomes study concurrent with Avisia's pivotal trials. Avisia anticipates that the *ABT* average selling price will be \$300 per test for ventilated and post COVID-19 patients.

Market Penetration Strategy

Avisia intends to target emergency department physicians, pulmonologists, critical care physicians and infectious disease specialists for sale of the *ABT*. In the U.S., Avisia estimates that there are over 30,000 facilities that could benefit from the operation of one or more Avisia units, including approximately 5,500 hospitals, 10,000 urgent care clinics, 2,000 retail clinics, 15,000 skilled nursing homes, and 500 free-standing emergency departments.

Avisia plans to initially market the *ABT* to the top 800 major teaching hospitals and medical centers in the U.S. Avisia hopes that the adoption of the technology by top medical practitioners will lead to further adoption. Initial marketing efforts will also be focused on cultivation of key opinion leaders through Avisia's medical advisory board network, presentations/posters at major medical meetings and peer-reviewed publications of VAP and post COVID-19 clinical studies. Avisia intends to engage regional representatives to target large tertiary hospitals with residency programs in emergency medicine, intensive care and pulmonology, as Avisia believes that such programs may be more likely to be early adopters of new technology. Subsequent marketing and sales efforts will focus on medium sized hospitals, which the Avisia expects will be likely to follow the technology adoption patterns of larger hospitals.

Avisia believes that Europe and China have strong market potential and Avisia may seek to expand into those markets in the future.

Unit Economics & Business Model

Avisia believes that the *ABT* is a cost-advantaged product for patients, doctors, hospitals, and payers. By helping prevent the overuse of antibiotics and unnecessary hospitalizations, Avisia believes that there may be a strong economic justification for providers and payers. Avisia believes there is a \$3.3 billion annual opportunity in the U.S. alone for the *ABT* with Avisia's commercial strategy is focused on the test's use for both the initial detection as well as the ongoing monitoring of hospitalized patients.

To encourage the rapid adoption of its technology, Avisia intends to provide long-term leases of the instrument at no cost to institutions. It is anticipated that the leases will include a requirement that the customer purchase at least 20 *ABT Kits* per month. Avisia projects that the required minimum purchase of the *ABT Kits* will cover the costs of providing the instrument at no cost in approximately two months. Avisia projects that its revenues will primarily be generated from sales of the single use *ABT Kits*, which Avisia anticipates will have gross margins above 80%.

Facilities

Avisia's offices are located at leased premises at 1660A Old Pecos Trail, Santa Fe, New Mexico 87505 in the United States. Avisia rents the facilities on a month-to-month basis for approximately \$5,000 per month. The lease is on a month-to-month basis and is with an arms-length party.

Principal manufacturing of the instrument, the breath capture system, the *ABT Kit*, and the *AV-UI3* drug plans to be done offsite with experienced contract manufacturing organizations.

Employees

As of the date of this Listing Statement, Avisia has four (4) employees. None of Avisia's employees are represented by a labor union or covered by a collective bargaining agreement. Avisia has not experienced any work stoppages.

Avisia intends to expand to seven (7) employees by the end of 2021. Avisia does not anticipate significant difficulties in attracting and retaining key talent to execute on its business plan.

Platform opportunities beyond pneumonia

The core technology platform is the non-radioactive isotopic ratio of C¹³ and C¹². For the pneumonia and post COVID-19 product, C¹³ urea is used as the nontherapeutic drug probe. However, by instilling other drug probes (such as C¹³ Tyrosine), this platform has the potential to detect other diseases such as C. diff (a lethal bacteria that affects the gut, is highly contagious and is caused by the overuse of broad-spectrum antibiotics, patent issued in 2018) other potential uses of the platform include diabetes and gastroparesis diagnosis.

Specialized Skill and Knowledge

Avisia has a distinguished scientific advisory board comprised of key opinion leaders that meet to guide to advise Avisia's research, development and clinical strategy of its technology and products.

William Bishai, M.D., Ph.D.

Dr. Bishai is a Professor and Co-Director for the Center for Tuberculosis Research, Department of Medicine, Division of Infectious Diseases, at Johns Hopkins School of Medicine in Baltimore, Maryland. He is also a Scientist at the Howard Hughes Medical Institute. His interests lie in the molecular pathogenesis of tuberculosis, cell division in mycobacteria, and the pathogenesis of caseation and cavitation. He belongs to a number of professional societies, including the Infectious Diseases Society of America and the American Society for Microbiology. Dr. Bishai received his Ph.D. and MD degrees from Harvard University in 1989.

Gerard J. Criner, M.D.

Dr. Criner is Chair and Professor of Thoracic Medicine and Surgery at Temple Lung Center in Philadelphia. He has served as a section chief for the past 23 years and served as president of medical staff, president of Temple University Physicians, and associate dean of clinical affairs. Dr. Criner was appointed to the Global Initiative for Obstructive Lung disease (GOLD) Board of Directors to serve from 2014 to 2018, and to the Medical Advisory Board of the COPD Foundation in 2014. His research interests include respiratory failure, lung volume reduction surgery, bronchoscopic lung reduction, and the prevention and treatment of acute COPD exacerbations. Dr. Criner received his MD degree from Temple University Medical School in 1979.

Ann C. Halbower, M.D.

Dr. Halbower is a Professor of Pediatric Pulmonology at the Children's Hospital and the University of Colorado Health Sciences Center in Aurora, Colorado. She received her medical degree from the University of Massachusetts Medical School. Her other specialties include pediatric sleep medicine and pulmonary disorders. In 2006, she received the Clinician Scientist Award from Johns Hopkins University. Dr. Halbower is also a Chair on the Health Policy Committee for the American Thoracic Society. Dr. Halbower received her MD degree from the University of Massachusetts Medical School in 1987.

William Martone, MD, MS

Dr. Martone is a Professor of Medicine (Infectious Disease) at the University of Arizona College of Medicine. He received his medical degree at New York University School of Medicine. He served as Director of the Hospital Infections Program at the Centers for Disease Control and Prevention, Senior Vice President of Medimmune, and Executive Director at Cubist Pharmaceuticals. Prior to his Cubist position, he was Senior Executive Director of the National Foundation for Infectious Disease. Dr. Martone received his MD degree from New York University School of Medicine in 1973.

Graham Timmins, PhD

Dr. Timmins serves as Avisa's Chief Science Advisor and Co-founder, and is Associate Professor of Medicinal Chemistry at the University of New Mexico School of Pharmaceutical Sciences. He is co-inventor of the core Avis platform technology. Dr. Timmins received his PH.D. from Leeds University, United Kingdom in 1990

Todd W. Rice, M.D., M.Sc.

Dr. Rice is an Associate Professor of Medicine and Associate Director of the Medical Intensive Care Unit at Vanderbilt University Hospital in Nashville, Tennessee. He received his medical degree from Indiana University. He is a leading expert in lung cancer, mediastinal diseases, and pneumonectomy. Dr. Rice possesses special expertise in lung diseases, lung transplantation and bronchoscopy. Dr. Rice received his MD degree from the University of Indiana School of Medicine in 1997.

Material Contracts

Merger Agreement

For details about the Merger Agreement, see Section 3.2.

Subscription Receipt Agreement

For details about the Subscription Receipt Agreement, see Section 3.2.

SWS Agreement

Pursuant to the SWS Agreement, SWS granted Avis a exclusive, worldwide license to SWS's patent rights and technology related to an invention known as "Laser Based, Temperature Insensitive, Carbon Dioxide Isotope Ratio Measurement" (the "**SWS Invention**"). The SWS Agreement will continue until the latest of the expiry dates of the patent rights in respect thereof.

The SWS Agreement contains customary rights, obligations, covenants and representations and warranties of the parties. Pursuant to the SWS Agreement, Avis agreed to pay to SWS royalties in an amount equal to 5% of net sales of products that utilize the SWS Invention. The SWS Agreement may be terminated by either party for material breach of the other party thereunder or for convenience by Avis upon advance written notice to SWS.

STC Agreement

Pursuant to the STC Agreement, STC granted Avis an exclusive, license in the United States to the STC Inventions until the expiration of the last to expire patent rights in respect thereof.

The STC Agreement contains customary rights, obligations, covenants and representations and warranties of the parties. Pursuant to the STC Agreement, Avis agreed to: (i) pay to STC an one-time, initial license fee of \$25,000 on or before February 5, 2012, (ii) issue to STC that number of shares of common stock of Avis such that STC would own 5% of the aggregate equity ownership of Avis on a fully-diluted basis, with an obligation to issue additional shares to maintain STC's ownership at 5% on a fully-diluted basis until the value of equity capital received by STC reached \$750,000, which obligation has been satisfied, (iii) make milestone payments in the event that 50% or more of Avis's assets are acquired by a third party, which obligation has been agreed not to apply in respect of the Transaction, (iv) pay to STC a 25% royalty on all income received under a commercial sublicense of the STC Inventions, (v) an earned cumulative annual royalty of 3% of gross receipts for products that utilize the STC Inventions, subject to a minimum amount, which for the year ended December 31, 2020 was \$20,000, and (vi) a license maintenance fee, payable annually. Provided the STC Agreement is then in good standing, Avis has a right to pay to STC a lump sum payment in the amount of \$5,000,000 in lieu of making any further royalty payments under the STC Agreement.

The STC Agreement may be terminated by STC for material breach by Avis thereunder or for convenience by Avis upon advance written notice to STC.

GEM Agreement

Avis entered into the GEM Agreement with GEM Yield Bahamas Ltd. and GEM Global on January 23, 2020 and revised the document on July 30, 2020 to conform to the Panorama QT on the TSXV. The GEM Agreement was

further revised on March 22, 2021 to conform to the Transaction on the CSE. The GEM Agreement establishes an approximately \$40 million share subscription facility (the “**Subscription Facility**”), which is expected to be available, subject to the satisfaction of the conditions set forth in the GEM Agreement, to the Resulting Issuer. The Subscription Facility may be drawn down from time to time by the Resulting Issuer after the completion of a listing of the Resulting Issuer Common Shares on the CSE.

The amount of Resulting Issuer Common Shares to be issued to GEM Global (the “**Subscription Shares**”) upon a draw down of the Subscription Facility, on a “per draw down” basis (a “**Draw Down**”) are subject to the following conditions: (i) the aggregate number of Subscription Shares shall not exceed 1,000% of the average daily trading volume of the listed Resulting Issuer Common Shares during the 15 trading days immediately preceding the relevant notice date of the Draw Down; (ii) the number of Subscription Shares shall not exceed such number that, when multiplied by 90% of the closing trading price on the trading day immediately prior to the relevant Draw Down, and then added to the purchase prices for all the previously issued Subscription Shares, would exceed \$40 million; and (iii) the number of Subscription Shares shall not trigger any notification obligation by GEM Global under applicable stock exchange rules.

The subscription price of the Subscription Shares issued pursuant to each Draw Down will be equal to 90% of the average closing price of past 15 consecutive trading days of the listed Resulting Issuer Common Shares. Avisia views the Subscription Facility as a potential source of working capital, that it may draw upon if required.

Pursuant to the GEM Agreement, Avisia issued and delivered common share purchase warrants exercisable within three (3) years of the date issued to purchase up to 9.9% of the issued and outstanding Avisia Common Shares (on a fully diluted basis), as calculated upon completion of the Transaction, with an exercise price equal to the *pro-rata* portion of the per share price of the Avisia Common Shares at a \$30 million valuation (the “**GEM Warrants**”). Upon completion of the Merger, and in accordance the terms of the GEM Agreement, the GEM Warrants were exchanged for warrants issued by the Resulting Issuer to purchase Resulting Issuer Common Shares to GEM Global in the amount of 9.9% of the issued and outstanding Resulting Issuer Common Shares at the time of the Closing (on a fully diluted basis), with an exercise price equal to a price per Resulting Issuer Common Share equal to \$0.45.

Avisia or the Resulting Issuer, as applicable, is liable to pay to GEM Global a fee (the “**GEM Fee**”) in the amount of CDN\$1,000,000. The GEM Fee is payable on the later of: (i) the completion of the Transaction; and (ii) the one-year anniversary of the GEM Agreement. Avisia has provided GEM Global with a promissory note with respect to the GEM Fee, which can be repaid via share issuances through the draw mechanism described in the GEM Agreement.

The GEM Agreement may be terminated by the mutual consent of Avisia and GEM Global. In addition, GEM Global can terminate the GEM Agreement if, and among other reasons: (i) there has been a material breach of any representation, warranty, covenant or agreement contained in the GEM Agreement; (ii) there has been any material adverse effect with respect to the Resulting Issuer; and (iii) there is a material change in ownership of Avisia resulting in the officers or directors of Avisia owning less than 12.55% of the issued and outstanding Avisia Common Shares.

Pursuant to the GEM Agreement, GEM Global cannot hold in excess of 19.9% of the total issued share capital or total voting rights exercisable in the Resulting Issuer at any time.

Copies of these agreements may be inspected during regular business hours at the office of Avisia’s Canadian legal counsel, McMillan LLP, 181 Bay Street, Suite 4400, Toronto, Ontario M5J 2T3 until the Closing of the Transaction and for a period of 30 days thereafter.

Competitive Environment

Avisia believes the *ABT* possesses many significant advantages over comparable tests:

- *ABT* provides a 10-minute test for pneumonia and post COVID-19
 - Other tests take many hours (PCR) or days (culture)
- *ABT* is a simple, value-priced test for pneumonia
 - Other tests are complicated and expensive to run
- *ABT* measures the whole lung, live bacteria

- Other tests measure also capture inactive samples
- *ABT* allows infection monitoring
 - Other tests are yes/no and cannot be used for real-time pathogen load monitoring

Sputum Microbiology

Sputum microbiology is the current low-cost, criterion standard method for determining the causative pathogen(s) for pneumonia. However, sputum microbiology has many shortcomings, including the difficulty involved in collecting sputum, poor testing sensitivity and long turnaround times to obtain test results. These shortcomings of sputum microbiology are out of step with emergency department physician treatment decision making processes, which are dominated by empiric therapy. As a result, overtreatment with intravenous broad-spectrum antibiotics and unnecessary hospital admissions can occur. If sputum is collected in the emergency department, it is typically used to inform later antibiotic stewardship decisions for admitted patients.

Molecular Diagnostics (PCR)

A number of respiratory viral panels and limited bacterial assays for pneumonia pathogens have been commercialized in the past decade by such companies as Biomerieux, Cepheid and Luminex. These assays use multiplex PCR methods to detect the DNA of up to 17 types of viral pathogens and/or up to four types of bacterial pathogens in sputum or nasal swab specimens. Bacterial pathogens that are detected by PCR include *S. aureus*, *bordetella pertussis*, and atypical pneumonias including *Chlamydia*, *Mycoplasma* and *Legionella*. With the exception of *S. aureus*, PCR methods currently do not detect the virulent, urease-positive pneumonia pathogens detected by the *ABT*. The PCR methods are sensitive and specific for the presence of a pathogen but their qualitative nature does not distinguish between active infection and colonization/viral shedding. Reliance on sputum samples can be problematic because many patients do not produce sputum and in those that do, obtaining uncontaminated sputum samples can be challenging. The vast majority of PCR-based assays are done in the central lab, not at the bedside, because the devices are large and expensive, the methods are of moderate or higher complexity, and trained staff are required to run the assay. Turnaround times range from 5+ hours to 24+ hours when sample collection, sample preparation, assay time, lab personnel availability and reporting are factored in, limiting the usefulness of the information when deciding to initiate antibiotic therapy for suspected bacterial pneumonia patients in the emergency department. Given that as significant proportion of pneumonia patients in the emergency department have urease pathogens, having patients taking up an emergency department bed and personnel time to await results are both costly and inconvenient for the patient and staff.

Procalcitonin

PCT is a blood test that can be used in combination with other clinical factors to determine if an infection is likely bacterial and can therefore be treated with antibiotics. PCT is a marker of inflammation and does not provide information as to the type of bacteria causing the infection. PCT is of limited use in guiding antibiotic choice, but is more appropriate for deciding whether to start or de-escalate antibiotic treatment. The PCT assay is exclusively done in the central lab and requires the collection of venous blood by a trained phlebotomist. The blood sample must be transported to the central lab, centrifuged for 20 minutes to extract the serum and then measured on the analyzer (20 minutes test time). The anti-inflammatory response in an early infection phase can take up to 12 hours to be detectable. PCT has had limited impact on antibiotic prescribing in emergency departments due to limited availability and long turnaround times. It is generally used to de-escalate antibiotic therapy once the patient is admitted to the hospital, as does the *ABT*. A point-of-care PCT (none currently exist) test would be complementary to the *ABT* because if the *ABT* is negative (no virulent urease pathogen), the PCT result would indicate if the pneumonia is caused by a non-urease producing bacteria (typically streptococcus) that generally would be treated with narrow spectrum, oral antibiotics.

Volatile Organic Compound Breath Analysis

VOC breath analysis is an experimental technique. Bacterial pneumonias have unique endogenous, breath constituents, which are emitted by bacteria as part of their metabolism. The VOCs are present in exhaled breath in parts per billion or lower concentrations, individual VOCs (e.g. acetone, carbon monoxide, methane, hexane, nitric oxide, etc.) are not specific to a particular disease and can be confounded by local variations diet, smoking, drinking, air pollution, VOCs found in the room air, gastrointestinal diseases and metabolic disorders. Before performing a test,

patients are not allowed to eat or drink 30 minutes prior and must rinse their mouth with water. VOCs from exhaled breath are captured in special tubes that are sent to an off-site lab for sample preparation and measurement by mass spectroscopy or electronic noses tuned to particular VOC combinations. Due to issues of accuracy and long turnaround times, VOC analysis is unlikely to be useful for guiding pneumonia therapeutic decisions in the emergency department.

Lending Operations

This section is not applicable to the Resulting Issuer.

Bankruptcy or Receivership Proceedings

Following completion of the Transaction, neither the Resulting Issuer, nor any of its subsidiaries, have been the subject of any bankruptcy or any receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings, within any of the three most recently completed financial years (as applicable) or the current financial year.

Material Restructuring Transactions

See Section 3.1.

Social or Environmental Policies

This section is not applicable to the Resulting Issuer.

4.2 Asset-Backed Securities

This section is not applicable to the Resulting Issuer.

4.3 Mineral Projects

This section is not applicable to the Resulting Issuer.

4.4 Oil and Gas Operations

This section is not applicable to the Resulting Issuer.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Annual Information

Avisa's Annual Information

The following table set forth selected historical financial information for Avisa for the years ended December 31, 2020, 2019 and 2018 which are attached to this Listing Statement as Schedule "A"; Such information is derived from Avisa's financial statements and should be read in conjunction with those financial statements attached hereto as Schedule "A".

	As at and for the year ended December 31, 2020 (audited)	As at and for the year ended December 31, 2019 (audited)	As at and for the year ended December 31, 2018 (audited)
<i>Statement of operations</i>			

Total revenue	Nil	Nil	Nil
Net Income (Loss)	\$ (4,076,759)	\$ (1,929,811)	\$ (4,087,511)
Net Income (Loss) per share (basic and fully-diluted)	\$ (1.78) ⁽¹⁾	\$ (0.84) ⁽¹⁾	\$ (3.20) ⁽²⁾
<i>Statement of financial position</i>			
Total assets	\$1,426,185	\$137,491	\$42,236
Total liabilities	\$26,899,757	\$21,635,064	\$19,632,459
Cash dividends declared per share	Nil	Nil	Nil

Notes:

- (1) The Net Income (Loss) per share (basic and fully-diluted) as at and for the years ended December 31, 2019 and 2020 are presented on a post-Split basis.
- (2) The Net Income (Loss) per share (basic and fully-diluted) as at and for the year ended December 31, 2018 is presented on a pre-Split basis.

See Schedule “A” – *The Audited Consolidated Financial Statements of Avisia as at December 31, 2019, December 31, 2018 and January 1, 2018 and for the years ended December 31, 2020 and 2019.*

FogChain’s Annual Information

The following table is a summary of selected financial information of FogChain for the years ended December 31, 2020, December 31, 2019, and December 31, 2018. Such information is derived from the consolidated financial statements of FogChain and should be read in conjunction with such consolidated financial statements.

	As at and for the year ended December 31, 2020 (audited)	As at and for the year ended December 31, 2019 (audited)	As at and for the year ended December 31, 2018 (audited)
<i>Statement of operations</i>			
Total revenue	\$277,830	\$838,857	\$194,345
Income (Loss) from continuing operations	\$ (715,762)	\$ (4,133,893)	\$ (6,495,346)
Net Income (Loss)	\$ (715,762)	\$ (4,133,893)	\$ (6,495,346)
Net Income (Loss) per share (basic and fully-diluted)	(0.14) ⁽¹⁾	(0.84) ⁽¹⁾	(0.10)
<i>Statement of financial position</i>			
Total assets	\$180,010	\$522,605	\$4,317,086
Total liabilities	\$575,802	\$355,613	\$191,200
Cash dividends declared per share	Nil	Nil	Nil

Notes:

- (3) The calculation of basic and diluted loss per common share as at and for the years ended December 31, 2020 and December 31, 2019 has been adjusted retrospectively, on a post-Consolidation basis of 5,224,348 and 4,920,819 as the weighted average number of common shares outstanding, respectively.

See Schedule “B” – *Audited Consolidated Financial Statements of FogChain for the periods ended December 31, 2020, December 31, 2019, and December 31, 2018.*

A copy of the financial statements previously filed with applicable securities commissions is available on the Resulting Issuer’s SEDAR profile at www.sedar.com.

Resulting Issuer’s Pro Forma Consolidated Financial Information

FORM 2A – LISTING STATEMENT

The following table is a summary of selected *pro forma* consolidated financial information of Resulting Issuer for the period ended December 31, 2020. Such information is derived from the consolidated financial statements of the Resulting Issuer and should be read in conjunction with such *pro forma* consolidated financial statements.

	As at and for the year ended December 31, 2020
<i>Consolidated statement of financial position</i>	
Total assets	\$3,270,293
Total liabilities	\$3,005,431
Cash dividends declared per share	Nil

See Schedule “C” – *Pro Forma Consolidated Financial Statements of the Resulting Issuer as at December 31, 2020*.

5.2 Quarterly Information

FogChain

The following tables set forth selected interim financial statements of FogChain as at and for the most recently completed quarters ending at the end of the most recently completed financial year. Such information is derived from the condensed interim consolidated financial statements of FogChain and should be read in conjunction with such financial statements:

Quarter Ended	Total Revenues	Net Income/Loss	Basic and diluted earning (loss) per share
December 31, 2020	Nil	\$ (22,079)	(0.00)
September 30, 2020	Nil	\$ (102,349)	(0.00)
June 30, 2020	\$100,044	\$ (358,949)	(0.00)
March 31, 2020	\$177,786	\$ (130,036)	(0.00)
December 31, 2019	\$184,616	\$ (2,221,719)	(0.03)
September 30, 2019	\$229,276	\$ (564,070)	(0.01)
June 30, 2019	\$199,735	\$ (699,225)	(0.01)
March 31, 2019	\$225,230	\$ (648,879)	(0.01)

5.3 Dividends

There are no restrictions in Resulting Issuer’s constituting documents or elsewhere which could prevent the Resulting Issuer from paying dividends.

The Resulting Issuer does not currently intend to pay any cash dividends or distributions on the Resulting Issuer Shares in the foreseeable future and, therefore, holders of Resulting Issuer Shares may not be able to receive a return on their Resulting Issuer Shares unless they sell such Resulting Issuer Shares. The Resulting Issuer’s policy will be to retain earnings to reinvest in the Resulting Issuer.

The Resulting Issuer’s dividend policy will be reviewed from time to time by the Resulting Issuer Board in the context of its earnings, financial condition and other relevant factors. Until the Resulting Issuer pays dividends on the Resulting Issuer Shares, which it may never do, its shareholders will not be able to receive a return on the Resulting Issuer Shares unless they sell them.

5.4 Foreign GAAP

The financial statements included in this Listing Statement have been and the future financial statements of the Resulting Issuer shall be, prepared in accordance with IFRS.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Avisa MD&A is attached to this Listing Statement as Schedule "D" – *Annual Management's Discussion and Analysis of Avisa*.

FogChain's management's discussion and analysis for the year ended December 31, 2020 is attached to this Listing Statement as Schedule "E" – *Annual Management Discussion and Analysis of FogChain*.

7. MARKET FOR SECURITIES

Avisa is not a reporting issuer in any jurisdiction and the Avisa Common Shares are not listed or posted for trading on any stock exchange.

Effective November 4, 2020, the FogChain Common Shares had been listed on the CSE under the symbol "FOG.X".

Trading of the FogChain Common Shares on the CSE was halted on February 2, 2021 upon entering into the Merger Agreement in connection with the Transaction.

Upon the Closing, the Resulting Issuer intends to be traded on the CSE under the symbol "AVBT", subject to compliance with the CSE's listing requirements.

8. CONSOLIDATED CAPITALIZATION

Consolidated Capitalization

The following table summarizes the material changes to share and loan capital of the Resulting Issuer since the date of the comparative financial statements for FogChain's most recently completed financial year contained in this Listing Statement. The table should be read in conjunction with the financial statements of Avisa and FogChain, including the notes thereto, included elsewhere in this Listing Statement or filed on SEDAR, as applicable.

Designation of Security	Amount Authorized	As at December 31, 2020	As at the date of the Listing Statement ⁽¹⁾
Resulting Issuer Common Shares	unlimited	5,224,318 ⁽²⁾	41,219,310
Resulting Issuer Restricted Voting Common Shares	unlimited	1,117,800 ⁽²⁾	16,326,474
Resulting Issuer Options	10% of the number of Resulting Issuer Shares	105,500 ⁽²⁾	2,232,896
Resulting Issuer Warrants	N/A	Nil	7,034,964
Accumulated Deficit	N/A	\$11,421,788	\$29,283,267
Long-term Debt	N/A	\$153,441	\$883,532

Notes:

(1) On a *pro forma* basis, after giving effect to the Transaction.

(2) On a post-Consolidation basis.

9. OPTIONS TO PURCHASE SECURITIES

Other than as set out in the table below, following completion of the Merger, there are no options to purchase securities of the Resulting Issuer held by:

- (a) all executive officers and past executive officers of the Resulting Issuer as a group and all directors and past directors of the Resulting Issuer who are not also executive officers as a group;
- (b) all executive officers and past executive officers of all subsidiaries of the Resulting Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, excluding individuals referred to in subsection 9(a) above;
- (c) all other employees and past employees of the Resulting Issuer as a group;
- (d) all other employees and past employees of subsidiaries of the Resulting Issuer as a group;
- (e) all consultants of the Resulting Issuer as a group; and
- (f) any other person or company, including the underwriter.

Category	Type of Securities Reserved under Option	Number of Securities Reserved under Option	Exercise Price per Security	Expiry Date
All present and past executive officers and directors of the Resulting Issuer	Resulting Issuer Common Shares	1,114,250	\$0.06 to \$4.20	October 1, 2022 to April 9, 2030
All other employees and past employees of the Resulting Issuer	Resulting Issuer Common Shares	713,125	\$0.32 to \$0.43	July 25, 2023 to April 9, 2030
All consultants of the Resulting Issuer	Resulting Issuer Common Shares	289,625	\$0.32 to \$0.43	July 24, 2023 to April 15, 2030
Any other person or company, including underwriters	Resulting Issuer Common Shares	135,896	\$0.32 to \$0.43	July 24, 2023 to May 14, 2024

Administration: The Resulting Issuer Option Plan shall be administered by the Resulting Issuer Board, a special committee of the Resulting Issuer Board (the “**Committee**”) or by an administrator appointed by the Resulting Issuer Board or the Committee (the “**Administrator**”) either of which will have full and final authority with respect to the granting of all Resulting Issuer Options thereunder. Resulting Issuer Options may be granted under the Resulting Issuer Option Plan to such directors, officers, employees, consultants or service providers of the Resulting Issuer or its subsidiaries, as the Resulting Issuer Board, the Committee or the Administrator may from time to time designate.

Number of Shares Reserved: Subject to adjustment, as provided for in the Resulting Issuer Stock Option Plan, the number of Resulting Issuer Shares which may be issued pursuant to options granted under the Resulting Issuer Stock Option Plan shall equal to 10% of the issued and outstanding shares of the Resulting Issuer from time to time at the date of grant. If any Resulting Issuer Option expires or otherwise terminates for any reason without having been exercised in full, the number of Resulting Issuer Shares in respect of such expired or terminated Resulting Issuer Option shall again be available for the purposes of granting Resulting Issuer Options pursuant to the Resulting Issuer Option Plan.

Maximum Term of Options: The term of any Resulting Issuer Option granted under the Resulting Issuer Option Plan (the “**Term**”) shall be determined by the Resulting Issuer Board, the Committee or the Administrator, as applicable, at the time the Resulting Issuer Option is granted but, subject to earlier termination in the event of termination, or in the event of death or disability of the Resulting Issuer Option holder. In the event of death or disability, the Resulting Issuer Option shall expire on the earlier of the date which is one year following the date of disability or death and the applicable expiry date of the Resulting Issuer Option. Resulting Issuer Options granted under the Resulting Issuer

Option Plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Exercise Price: The exercise price at which a Resulting Issuer Option holder may purchase a Resulting Issuer Share upon the exercise of a Resulting Issuer Option shall be determined by the Committee and shall be set out in the option certificate issued in respect of the Resulting Issuer Option. The exercise price shall not be less than the price determined in accordance with CSE policies while, and if, the Resulting Issuer Common Shares are listed on the CSE.

Vesting: Vesting, if any, and other terms and conditions relating to such options shall be determined by the Resulting Issuer Board, or if the Resulting Issuer Board so elects, the committee, in accordance with the CSE requirements.

Termination: Subject to such other terms or conditions that may be attached to Resulting Issuer Options granted under the Resulting Issuer Option Plan, a Resulting Issuer Option holder may exercise a Resulting Issuer Option in whole or in part at any time and from time to time during the Term. Any Resulting Issuer Option or part thereof not exercised within the Term shall terminate and become null, void and of no effect as of the date of expiry of the Resulting Issuer Option. The expiry date of a Resulting Issuer Option shall be the date so fixed by the Committee at the time the Resulting Issuer Option is granted as set out in the option certificate or, if no such date is set out in for the option certificate the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or in the event of death or disability (as discussed above under “*Maximum Term of Options*”) or in the event of certain triggering events occurring, as provided for under the Resulting Issuer Option Plan:

- (a) *Ceasing to Hold Office* - In the event that the Resulting Issuer Option holder holds his or her Resulting Issuer Option as an executive and such Resulting Issuer Option holder ceases to hold such position other than by reason of death, disability or voluntary resignation from such position in the case of a nonstatutory option (as defined in the Resulting Issuer Option Plan), the expiry date of the Resulting Issuer Option shall be, unless otherwise determined by the Committee, the Resulting Issuer Board or the Administrator, as applicable and expressly provided for in the Resulting Issuer Option certificate, the 90th day following the date the Resulting Issuer Option holder ceases to hold such position unless the Resulting Issuer Option holder ceases to hold such position as a result of:

- (i) termination for cause; or
- (ii) termination for misconduct,

in which case the expiry date shall be the date the Resulting Issuer Option holder ceases to hold such position.

- (b) *Ceasing to be Employed or Engaged* - In the event that the Resulting Issuer Option holder holds his or her Option as an employee, consultant or service provider and such Resulting Issuer Option holder ceases to hold such position other than by reason of death, disability or voluntary resignation from such position in the case of a nonstatutory option, the expiry date of the Resulting Issuer Option shall be, unless otherwise determined by the Committee, the Resulting Issuer Board or the Administrator, as applicable, and expressly provided for in the Resulting Issuer Option certificate, the 90th day following the date the Resulting Issuer Option holder ceases to hold such position as a result of:

- (i) termination for cause; or
- (ii) termination for misconduct,

in which case the expiry date shall be the date the Resulting Issuer Option holder ceases to hold such position.

In the event that the Resulting Issuer Option holder ceases to hold the position of executive, employee, consultant or service provider for which the Resulting Issuer Option was originally granted, but comes to hold a different position as an executive, employee, consultant or service provider prior to the expiry of the Resulting Issuer Option, the Committee, the Resulting Issuer Board or the Administrator, as applicable, may, in its sole discretion, choose to permit the Resulting Issuer Option to stay in place for that Resulting Issuer Option holder with such Resulting Issuer Option then to be treated as being held by that Resulting Issuer Option holder in his or her new position and such will not be considered to be an amendment to the Resulting Issuer Option in question requiring the consent of the Resulting Issuer Option holder. Notwithstanding anything else contained in the Resulting Issuer Option Plan, in no case will a Resulting Issuer Option be exercisable later than the expiry date of the Resulting Issuer Option.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of the Securities

Avisa

Avisa Common Shares

Prior to giving effect to the Merger, there were 34,351,221 Avisa Common Shares issued and outstanding. Each of the Avisa Common Shares is entitled to one vote per Avisa Common Share. Each of the Avisa Common Shares is entitled to receive an equal share of any dividends and distributions (whether payable in cash or otherwise) as may be declared on the Avisa Common Shares from time to time. Each of the Avisa Common Shares is entitled, in the event of any liquidation, dissolution or winding-up of Avisa (whether voluntary or involuntary), to receive in equal amounts per Avisa Common Share, the assets of Avisa available for liquidation.

Avisa Preferred Shares

Prior to giving effect to the Merger, there were 15,208,674 Avisa Preferred Shares issued and outstanding. The Avisa Preferred Shares are entitled to receive out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend on any shares junior to the Avisa Preferred Shares, cumulative cash dividends at an annual rate of 8% of the applicable purchase price for the Avisa Preferred Shares. In the event of any liquidation, dissolution or winding up of Avisa, the proceeds shall be paid as follows: first, pay one times the applicable purchase price of the Avisa Preferred Shares, declared and unpaid dividends on each Avisa Preferred Share on a *pari passu* basis. Thereafter the remaining proceeds shall be distributed to the holders of Avisa Preferred Shares and Avisa Common Shares *pro rata* on an as-converted basis.

The articles of Avisa provide for certain protective and anti-dilution provisions in respect of the Avisa Preferred Shares.

The Avisa Preferred Shares shall vote together with the Avisa Common Shares on an as-converted basis, and not as a separate class, except: (i) the Avisa Preferred Shares, as a class, shall be entitled to elect two members of the Avisa Board, (ii) as provided under the articles of incorporation of Avisa or (iii) as required by law.

A merger or consolidation or other corporate reorganization (other than one in which stockholders of Avisa own a majority by voting power of the outstanding shares of the surviving or acquiring corporation), and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of Avisa's assets, shall constitute a liquidation event, thereby triggering payment of the liquidation preferences of the Avisa Preferred Shares, unless the holders of at least a majority of the Avisa Preferred Shares, voting together as a class, elect otherwise.

Each Avisa Preferred Share is convertible into Avisa Common Shares at the option of the holder of the Avisa Preferred Share. All outstanding Avisa Preferred Shares shall automatically be converted into Avisa Common Shares upon: (i) the vote or consent in writing of the majority of the holders of the Avisa Preferred Shares (the "**Majority Preferred Holders**"), or (ii) upon the closing of the sale of Avisa Common Shares in a firm commitment underwritten public offering (by a reputable underwriter acceptable to the Majority Preferred Holders) pursuant to an effective registration

statement under U.S. Securities Act, in which the public offering price per share is at least five (5) times the original issue price of the Series A Preferred Shares of Avisia and the aggregate gross cash proceeds to Avisia (before deduction of underwriting discount, commissions and expenses of sale) are at least \$50,000,000.

Holders of at least a majority of the then issued and outstanding Avisia Preferred Shares may request Avisia to redeem their respective shares at a price equal to the greater of: (i) the applicable original purchase price plus all accrued dividends and any and all other declared and unpaid dividends on each Avisia Preferred Share, and (ii) the fair market value of the shares at the time of the redemption, as determined by a professional appraisal performed under an agreement reasonably acceptable to both the holders of a majority of the Avisia Preferred Shares and Avisia, which appraisal shall not include any minority interest or illiquidity discount.

In connection with the completion of the Merger, the Series A Preferred Shares plus all accrued dividends were converted into Avisia Common Shares at a price of \$0.775849 per Avisia Common Share and the Series A-1 Preferred Shares and a price of \$0.826311 per Avisia Common Share.

Avisia Notes

Convertible Promissory Notes

As of the Closing, Avisia had a principal amount of \$4,518,063 in Convertible Notes outstanding which contain a 12% annual interest rate (compounded annually). The Convertible Notes mature on the earlier of: (a) a Sales Transaction, unless earlier converted prior thereto; (b) a complete liquidation of Avisia; and (c) the written demand of the Note Holder Committee, acting unanimously.

In the case of Avisia conducting an equity financing in which Avisia receives gross proceeds of at least \$8,000,000 in new cash from such investors, the aggregate outstanding principal and unpaid accrued interest of the Convertible Notes shall be automatically converted into to the same class or series of shares at a price equal to 75% of the price per share paid in such financing. If Avisia conducts a financing in which they raise less than \$8,000,000, the holders of the Convertible Notes may convert their respective outstanding principal and unpaid accrued interest, in their sole option, into the same class or series of shares at a price equal to 75% of the price per share paid in such financing.

In connection with the completion of the Merger, the Convertible Notes plus all accrued interest were converted into Avisia Common Shares at a price of \$0.33 per Avisia Common Share. The conversion of the Convertible Notes pursuant to the Merger, yielded 21,559,893 Resulting Issuer Common Shares at an effective price of between \$0.18 and \$0.26.

Senior Convertible Promissory Notes

As of the Closing, Avisia had a principal amount of \$1,360,667 in Senior Notes outstanding. The Senior Notes do not bear interest. The Senior Notes mature on the earlier of: (a) a Sales Transaction, unless earlier converted prior thereto; (b) a complete liquidation of Avisia; and (c) the written demand of the Note Holder Committee, acting unanimously.

In the case of Avisia conducting an equity financing in which Avisia receives gross proceeds of at least \$8,000,000 in new cash from such investors, the aggregate outstanding principal and unpaid accrued interest of the Convertible Notes shall be automatically converted into to the same class or series of shares at a price equal to 50% of the price per share paid in such financing. If Avisia conducts a financing in which they raise less than \$8,000,000, the holders of the Convertible Notes may convert their respective outstanding principal and unpaid accrued interest, in their sole option, into the same class or series of shares at a price equal to 50% of the price per share paid in such financing.

In connection with the completion of the Merger, the Senior Notes converted into Avisia Common Shares at a price of \$0.22 per Avisia Common Share. The conversion of the Senior Notes pursuant to the Merger, yielded 6,184,843 Resulting Issuer Common Shares at a price of \$0.22.

Promissory Notes

As of the Closing, Avisia had a principal amount of \$645,000 in Promissory Notes outstanding which contain a 12% annual interest rate. The Promissory Notes mature on September 30, 2022.

The Promissory Notes include 10% warrant coverage, contingent upon completion of the Merger. Such warrants entitle the holder thereof the right to acquire one Avisia Common Share at an exercise price of \$0.45 per warrant. The aggregate number of Avisia Common Shares issuable upon exercise of such warrants were rounded down to the nearest whole share.

Haywood Note

As of the date of this Listing Statement, Avisia owes a principal amount of CDN\$139,398 to Haywood pursuant to a promissory note dated January 22, 2021 (the “**Haywood Note**”). Pursuant to the Haywood Note, the principal amount of CDN\$139,398 shall be paid upon the earlier of: (i) January 19, 2022; and (ii) 30 business days from the date that Avisia completes one or more financings for a minimum aggregate gross proceeds of CDN\$500,000.

Series A Warrants

Each Series A Warrant entitles the holder thereof the right to acquire one Series A Preferred Share at an exercise price of \$0.67.

Promissory Note Warrants

Each Promissory Note Warrant entitles the holder thereof to acquire one Avisia Common Share at an exercise price of \$0.45 per warrant.

Avisia Options

Each Avisia Option entitles the holder thereof to acquire one Avisia Common Share at an exercise price between \$0.06 and \$0.43.

Avisia Subscription Receipts

For details about the Avisia Subscription Receipts, see Section 3.2.

Resulting Issuer

The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Shares.

Resulting Issuer Common Shares

As at the date of this Listing Statement, there are 41,219,310 Resulting Issuer Common Shares issued and outstanding. The holders of Resulting Issuer Common Shares, including those issued pursuant to the Merger, will be entitled to receive notice of and to attend all meetings of the shareholders of the Resulting Issuer and to one vote per share at meetings of the shareholders of the Resulting Issuer. Except as otherwise set out below or as required by law, holders of Resulting Issuer Common Shares and Resulting Issuer Restricted Voting Common Shares shall vote as one class at all meetings of shareholders of the Resulting Issuer. The holders of Resulting Issuer Common Shares will also be entitled to receive dividends as and when declared by the board of directors of the Resulting Issuer on the Resulting Issuer Common Shares as a class, provided that no dividend may be declared or paid in respect of Resulting Issuer Common Shares unless concurrently therewith the same dividend is declared or paid on the Resulting Issuer Restricted Voting Common Shares. The holders of the Resulting Issuer Common Shares shall be entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Resulting Issuer’s shareholders for the purpose of winding up its affairs, (collectively, a “**Liquidation Event**”) to share rateably, together with the holders of Resulting Issuer Restricted Voting Common Shares in such assets of the Resulting Issuer as are available for distribution. All Resulting Issuer Common Shares outstanding after completion of the Merger are fully paid and non-assessable and not subject to any pre-emptive rights, conversion or exchange

rights, redemption, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital. The Resulting Issuer Common Shares shall not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Resulting Issuer Restricted Voting Common Shares are adjusted proportionately.

Resulting Issuer Restricted Voting Common Shares

As at the date of this Listing Statement, there are 16,326,474 Resulting Issuer Restricted Voting Common Shares issued and outstanding. The Resulting Issuer Restricted Voting Common Shares will not be listed on the CSE. The holders of the Resulting Issuer Restricted Voting Common Shares, including those issued pursuant to the Merger, will be entitled to receive notice of and to attend all meetings of the shareholders of the Resulting Issuer and to one vote per share at any meeting of the shareholders of the Resulting Issuer provided that the holders of the Resulting Issuer Restricted Voting Common Shares shall not be entitled to vote for the election or removal of the directors of the Resulting Issuer. Except as otherwise described herein or as required by law, holders of Resulting Issuer Common Shares and Resulting Issuer Restricted Voting Common Shares shall vote as one class at all meetings of shareholders of the Resulting Issuer. The holders of Resulting Issuer Restricted Voting Common Shares will also be entitled to receive dividends as and when declared by the board of directors on the Resulting Issuer Restricted Voting Common Shares as a class, provided that no dividend may be declared or paid in respect of Resulting Issuer Restricted Voting Common Shares unless concurrently therewith the same dividend is declared or paid on the Resulting Issuer Common Shares. The holders of Resulting Issuer Restricted Voting Common Shares shall be entitled, in the event of any Liquidation Event to share rateably, together with the holders of the Resulting Issuer Common Shares in such assets of the Resulting Issuer as are available for distribution. No Resulting Issuer Restricted Voting Common Shares shall be transferred by any holder thereof pursuant to an Exclusionary Offer (as defined herein) unless concurrently with such an offer, an offer to acquire the Resulting Issuer Common Shares is made that is identical to the Exclusionary Offer in terms of price per share, percentage of outstanding shares to be taken up (excluding those held by the offeror) and in all other material respects. For these purposes, an “**Exclusionary Offer**” means an offer to purchase Resulting Issuer Restricted Voting Common Shares which must be made by reason of applicable securities legislation or the rules or policies of a stock exchange to all or substantially all of the holders of the Resulting Issuer Restricted Voting Common Shares.

Each Resulting Issuer Restricted Voting Common Share shall be convertible into one Resulting Issuer Common Share, without payment of additional consideration, at the option of the holder thereof as follows:

- (a) at any time that is not a Restricted Period (as defined herein);
- (b) if the Resulting Issuer determines that it has ceased to be a Foreign Issuer (as defined herein) and has notified the holders of the Resulting Issuer Restricted Voting Common Shares of such determination; or
- (c) if there is an offer to purchase the Resulting Issuer Common Shares which must be made by reason of applicable securities legislation or the rules or policies of a stock exchange to all or substantially all of the holders of Resulting Issuer Common Shares any of whom are in, or whose last address as shown on the books of the corporation is in, a province or territory of Canada to which the relevant requirement applies.

For these purposes, (i) “**Restricted Period**” means any time at which the board of directors of the Resulting Issuer reasonably believes that the Resulting Issuer is a “domestic issuer” (as defined in Rule 902(e) of Regulation S under the United States Securities Act of 1933, as amended) or would become a domestic issuer as a result of the issuance of Resulting Issuer Common Shares upon the conversion of a Resulting Issuer Restricted Voting Common Share; and (ii) “**Foreign Issuer**” has the meaning ascribed thereto in Rule 902(e) of Regulation S under the United States Securities Act of 1933, as amended,

In addition, each Resulting Issuer Restricted Voting Common Share may be converted into one Resulting Issuer Common Share at any time and from time to time at the option of the Resulting Issuer upon notice to the holder thereof. All Resulting Issuer Restricted Voting Common Shares outstanding after completion of the Merger are fully paid and non-assessable and not subject to any pre-emptive rights, retraction or surrender provisions, sinking or

purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital. The Resulting Issuer Restricted Voting Common Shares shall not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Resulting Issuer Common Shares are adjusted proportionately.

Resulting Issuer Options

As at the date of this Listing Statement, 2,232,896 Resulting Issuer Options are outstanding being comprised of:

- (a) 105,500 Resulting Issuer Options exercisable for Resulting Issuer Common Shares at an exercise price of \$4.20 per Resulting Issuer Common Share on a post-Consolidation basis until October 1, 2022; and
- (b) 2,127,396 Resulting Issuer Options exercisable for Resulting Issuer Common Shares at an exercise price between \$0.06 and \$0.43 per Resulting Issuer Common Share until between July 24, 2023 and April 15, 2030.

No Resulting Issuer Option shall have a term in excess of ten years.

For details, see Section 9.

Resulting Issuer Warrants

As at the date of this Listing Statement, 7,034,964 Resulting Issuer Warrants are outstanding being comprised of:

- (a) 858,226 Resulting Issuer Warrants exercisable for one Resulting Issuer Common Share at an exercise price of \$0.67 per share until between March 27, 2023 and November 27, 2023;
- (b) 143,326 Resulting Issuer Warrants exercisable for one Resulting Issuer Common Share at an exercise price of \$0.45 per share until April 1, 2024; and
- (c) 6,033,412 Resulting Issuer Warrants exercisable for one Resulting Issuer Common Share at an exercise price of \$0.45 per share until the date that is 3 years from the Closing Date.

10.2 Debt Securities

This section is not applicable to the Resulting Issuer.

10.3 Other Securities

This section is not applicable to the Resulting Issuer.

10.4 Modification of Terms

This section is not applicable to the Resulting Issuer.

10.5 Other Attributes

This section is not applicable to the Resulting Issuer.

10.6 Prior Sales

Avisa

In addition to the Avisia Subscription Receipts sold pursuant to the Avisia Financing, the following table sets forth the number and price at which securities of Avisia have been sold within the 12 month period prior to the date of this Listing Statement:

Date	Type	Number and Class of Securities Issuable Upon Conversion	Aggregate Issue Price	Exercise Price or Conversion Price
June 4, 2020	Avisia Options ^{(1),(2)}	122,500 Avisia Common Shares	N/A	\$0.32
June 4, 2020	Avisia Options ^{(1),(2)}	96,250 Avisia Common Shares	N/A	\$0.32
September 8, 2020	Panorama QT Subscription Receipts ⁽³⁾	2,206,525 Resulting Issuer Shares	CDN\$1,412,176	N/A ⁽³⁾
August 27, 2020	Promissory Notes ⁽⁴⁾	N/A	\$100,000	N/A
October 21, 2020	Promissory Notes ⁽⁴⁾	N/A	\$25,000	N/A
October 23, 2020	Promissory Notes ⁽⁴⁾	N/A	\$25,000	N/A
December 4, 2020	Promissory Notes ⁽⁴⁾⁽⁵⁾	N/A	\$345,000	N/A
December 7, 2020	Promissory Notes ⁽⁴⁾	N/A	\$95,000	N/A
December 10, 2020	Promissory Notes ⁽⁴⁾	N/A	\$10,000	N/A
December 15, 2020	Promissory Notes ⁽⁴⁾	N/A	\$30,000	N/A
December 22, 2020	Promissory Notes ⁽⁴⁾	N/A	\$15,000	N/A
January 22, 2021	Haywood Note ⁽⁶⁾	N/A	CDN\$139,397.75	N/A
March 22, 2021	GEM Warrants ⁽⁷⁾	6,033,412	N/A	\$0.45
April 16, 2021	Avisia Subscription Receipts ⁽⁸⁾	1,540,741 Resulting Issuer Shares	\$693,336.06	N/A ⁽⁸⁾

Notes:

- (1) The Avisia Options listed above were originally issued on a pre-Split and pre-Transaction basis. At the time of issuance, each such Avisia Option entitled the holder thereof to acquire one Avisia Common Share at an exercise price of \$0.56. The values corresponding to such Avisia Options and listed above within the columns “Number and Class of Securities Issuable Upon Conversion” and “Exercise Price or Conversion Price” are presented on a post-Split, post-Transaction basis. For further information, see Section 10.1.
- (2) Issuance of securities to a Non-Arm’s Length Party.
- (3) Pursuant to the terms of the Panorama QT Subscription Receipts, no exercise price was payable. The Panorama QT Subscription Receipts were issued at a price of CDN\$0.64 per Panorama QT Subscription Receipt. The Panorama QT Subscription Receipts were cancelled upon termination of the Panorama QT on January 4, 2021.
- (4) The Promissory Notes bear interest of 12% annually, and mature on September 30, 2022. The Promissory Notes include 10% warrant coverage, contingent upon completion of the Transaction. Such warrants will be issued immediately before prior to the Closing and will entitle the holder thereof the right to acquire one Avisia Common Share at an exercise price of \$0.45 per warrant. For further information, see Section 10.1.
- (5) An aggregate of \$65,000 was issued to Non-Arm’s Length Parties.
- (6) The Haywood Note matures on the earlier of: (i) January 19, 2022; and (ii) 30 business days from the date that Avisia completes one or more financings for a minimum aggregate gross proceeds of CDN\$500,000. For further information, see Section 10.1
- (7) Pursuant to the terms of the GEM Agreement, the GEM Warrants were issued to GEM Global and are exercisable for a period of 3 years from the date such warrants were issued. Upon completion of the Merger, the GEM Warrants were exchanged for Resulting Issuer Warrants. For further information, see Section 4.1.
- (8) Pursuant to the terms of the Avisia Subscription Receipts, no exercise price is payable. Upon satisfaction of the Escrow Release Conditions, each Avisia Subscription Receipt automatically converted into one Avisia Common Share, without payment of additional consideration or further action on the part of the holder of Avisia Subscriptions Receipts. The Avisia Subscription Receipts were issued at a price of \$0.45 per Avisia Subscription Receipt.

FogChain

The following table sets forth the number and price at which securities of FogChain have been sold within the 12 month period prior to the date of this Listing Statement:

Date	Type	Number and Class of Securities Issuable Upon Completion of the Transaction	Aggregate Issue Price	Issue Price
April 15, 2021	FogChain Common Shares ⁽¹⁾	103,030 Resulting Issuer Common Shares	CDN\$85,000	CDN\$0.825

Notes:

1. The FogChain Common Shares listed in the table above were originally issued on a pre-Consolidation and pre-Transaction basis. At the time of issuance, 1,545,454 FogChain Common Shares were issued at an issue price of CD\$0.055. The values corresponding to such FogChain Common Shares and listed above within the columns "Number and Class of Securities Issuable Upon Completion of the Transaction" and "Issue Price" are presented on a post-Consolidation, post-Transaction basis. For further information, see Section 3.1.

10.7 Stock Exchange Price

The FogChain Common Shares are listed on the CSE as of the date of this Listing Statement under the symbol "FOG.X". Prior to November 4, 2020, the FogChain Common Shares were listed on the CSE under the symbol "FOG". Prior to May 24, 2018 the FogChain Common Shares were listed on the NEX Board of the TSXV under the symbol "MKU.H". The following table sets out the high and low trading price and volume of trading of the FogChain Common Shares on the CSE on a monthly basis for each month (or part month) of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters:

Period	High (CDN\$)	Low (CDN\$)	Volume
May 1, 2021 to May 11, 2021 ⁽¹⁾	0.055	0.055	0
April 2021 ⁽¹⁾	0.055	0.055	0
March 2021 ⁽¹⁾	0.055	0.055	0
February 2021 ⁽¹⁾	0.075	0.055	801,602
January 2021	0.06	0.015	7,251,884
October 1, 2020 to December 31, 2020 ⁽²⁾	0.02	0.005	1,799,911
July 1, 2020 to September 30, 2020 ⁽²⁾⁽³⁾	0.025	0.01	1,251,757
April 1, 2020 to June 30, 2020 ⁽⁴⁾	0.075	0.01	604,568
January 1, 2020 to March 31, 2020 ⁽⁴⁾	0.01	0.01	0
October 1, 2019 to December 31, 2019 ⁽⁴⁾	0.08	0.005	3,026,536
July 1, 2019 to September 30, 2019 ⁽⁵⁾	0.095	0.055	366,904
April 1, 2019 to June 30, 2020	0.085	0.04	2,479,789

Notes:

- (1) Trading of the FogChain Common Shares on the CSE was halted on February 2, 2021 upon entering into the Merger Agreement in connection with the Transaction.
- (2) Trading of the FogChain Common Shares on the CSE was halted from August 21, 2020 to November 4, 2020 upon entering into the definitive agreement in connection with the reverse takeover transaction with Global Star Education Ltd.
- (3) Trading of the FogChain Common Shares on the CSE was halted from July 7, 2020 to July 8, 2020 upon entering into the letter of intent in connection with the reverse takeover transaction with Global Star Education Ltd.
- (4) Trading of the FogChain Common Shares on the CSE was halted from December 18, 2019 to June 26, 2020 upon entering into the share exchange agreement in connection with the reverse takeover transaction with Canadian Teleradiology Services Inc.
- (5) Trading of the FogChain Common Shares on the CSE was halted from July 29, 2019 to October 23, 2019 upon entering into the letter of intent in connection with the announcement of a reverse takeover transaction with Loop Media Inc.

FogChain has applied to the CSE for the Listing. Listing will be subject to the Resulting Issuer will be subject to the Resulting Issuer fulfilling all the listing requirements of the CSE. The Resulting Issuer Common Shares are anticipated to be listed under the trading symbol "AVBT".

11. ESCROWED SECURITIES

As required under the policies of the CSE, principals of the Resulting Issuer have entered into the Escrow Agreement as if the company was subject to the requirements of National Policy 46-201 – Escrow for Initial Public Offerings ("NP 46-201"). Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon completion of the Transaction followed by six subsequent releases of 15% every six months thereafter. The form of the Escrow Agreement must be as provided in NP 46-201.

The table below includes the details of escrowed securities that were held by principals of the Resulting Issuer upon the completion of the Merger:

Name of Securityholder	Number and Class of Securities ⁽¹⁾	Percentage of Class ⁽¹⁾	Release Schedule
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David S. Joseph	1,655,365 Resulting Issuer Restricted Voting Common Shares and 2,222 Resulting Issuer Warrants	10.14% of Resulting Issuer Restricted Voting Common Shares and 0.03% of Resulting Issuer Warrants	10% released on the Listing Date 15% released 6 months from the Listing Date 15% released 12 months from the Listing Date 15% released 18 months from the Listing Date 15% released 24 months from the Listing Date 15% released 30 months from the Listing Date 15% released 36 months from the Listing Date
Matthew Culler	104,464 Resulting Issuer Restricted Voting Common Shares and 218,750 Resulting Issuer Options	0.64% of Resulting Issuer Restricted Voting Common Shares and 9.8% of Resulting Issuer Options	
Brian Birk	140,000 Resulting Issuer Options	6.27% of Resulting Issuer Options	
NMSIC Focused LLC	8,352,528 Resulting Issuer Restricted Voting Common Shares and 100,277 Resulting Issuer Warrants	51.16% of Resulting Issuer Restricted Voting Common Shares and 1.43% of Resulting Issuer Warrants	

Notes:

- (1) The number of securities of the Resulting Issuer are provided on a post-Consolidation basis, assuming 16,326,474 Resulting Issuer Restricted Voting Common Shares, 2,232,896 Resulting Issuer Options, and 7,034,964 Resulting Issuer Warrants outstanding upon completion of the Transaction on a non-diluted basis.

Voluntary Pooling Arrangement

Certain Avisia shareholders have entered into a Pooling Agreement, pursuant to which the holders of Pooled Shares have agreed to not sell, assign, transfer, pledge, or otherwise dispose of or encumber any legal or beneficial interest in the Pooled Shares, or agree to carry out any of the foregoing, prior to the release of such Pooled Shares as provided below.

The following table sets out, as of the date hereof and to the knowledge of Avisia and FogChain, the name and municipality of residence of the security holders whose securities will be Pooled Shares (on a non-diluted basis):

Name and Municipality of Residence	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities Subject to Pooling Agreement	Percentage of Class	Number of Securities Subject to Pooling Agreement	Percentage of Class ⁽¹⁾⁽²⁾
Milagro Group, LLC <i>Farmington, New Mexico</i>	Resulting Issuer Restricted Voting Common Shares	-	-	4,020,067	24.62%
Akiko Bedwick <i>Hong Kong</i>	Resulting Issuer Common Shares	-	-	1,632,278	3.96%

Name and Municipality of Residence	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities Subject to Pooling Agreement	Percentage of Class	Number of Securities Subject to Pooling Agreement	Percentage of Class ⁽¹⁾⁽²⁾
Enterprises International, Inc. <i>Hoquiam, Washington</i>	Resulting Issuer Common Shares	-	-	1,638,930	3.98%
Chi Tung Melvyn Pun <i>Hong Kong</i>	Resulting Issuer Common Shares	-	-	1,561,161	3.79%
The 2011 Forman Investment Trust <i>Philadelphia, Pennsylvania</i>	Resulting Issuer Common Shares	-	-	1,517,055	3.68%
R. Ray Brown <i>West Chester, Pennsylvania</i>	Resulting Issuer Common Shares	-	-	1,557,730	3.78%
Stamford Devices Limited <i>Dangan, Galway, Ireland</i>	Resulting Issuer Common Shares	-	-	1,278,599	3.10%
SCRJ Lightspeed Venture Partners, LLC <i>Devon, Pennsylvania</i>	Resulting Issuer Common Shares	-	-	1,066,639	2.59%
Richard J. Schneiders and Elizabeth J. Schneiders, Trustees of the Richard J. Schneiders and Elizabeth J. Schneiders Revocable Trust UTA dated November 16, 2012 <i>Santa Fe, New Mexico</i>	Resulting Issuer Common Shares	-	-	991,812	2.41%
Red Tree Holdings LLC <i>Albuquerque, New Mexico</i>	Resulting Issuer Common Shares	-	-	947,889	2.30%

Name and Municipality of Residence	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities Subject to Pooling Agreement	Percentage of Class	Number of Securities Subject to Pooling Agreement	Percentage of Class ⁽¹⁾⁽²⁾
Darco Investments LLC <i>Philadelphia, Pennsylvania</i>	Resulting Issuer Common Shares	-	-	931,027	2.26%
David Schlessinger <i>Philadelphia, Pennsylvania</i>	Resulting Issuer Common Shares	-	-	891,249	2.16%
Robert Ferguson Irrevocable Trust <i>Fort Worth, Texas</i>	Resulting Issuer Common Shares	-	-	867,000	2.10%
Peter Sykes <i>Midland, Michigan</i>	Resulting Issuer Common Shares	-	-	808,520	1.96%
Dragon Bull Investments Ltd. <i>Auckland, New Zealand</i>	Resulting Issuer Common Shares	-	-	794,167	1.93%

Notes:

- (1) The number of securities of the Resulting Issuer are provided on a post-Consolidation basis, assuming 16,326,474 Resulting Issuer Restricted Voting Common Shares and 41,219,310 Resulting Issuer Shares outstanding upon completion of the Transaction on a non-diluted basis.
- (2) Holders of Avisia Common Shares may elect to receive Resulting Issuer Restricted Voting Common Shares in exchange for the Avisia Common Shares. For details about the Resulting Issuer Restricted Voting Common Shares, see Section 10.1.

Pursuant to the Pooling Agreement, the securities of the Resulting Issuer will be released as follows:

Release Dates	Percentage
On the Listing Date	20%
On the date that is 3 months following the Listing Date	15%
On the date that is 6 months following the Listing Date	15%
On the date that is 9 months following the Listing Date	15%
On the date that is 12 months following the Listing Date	15%
On the date that is 15 months following the Listing Date	15%
On the date that is 18 months following the Listing Date	5%

The release dates contained in the Pooling Agreement are in addition to and not substitution for the release dates contained in the Escrow Agreement described above.

12. PRINCIPAL SHAREHOLDERS

As of the date of this Listing Statement, to the knowledge of the directors and officers of the Resulting Issuer, the following Persons are anticipated to beneficially own, directly or indirectly, or exercise control or direction over more than 10% of any class of voting securities of the Resulting Issuer upon completion of the Transaction.

Name and Municipality of Residence	Number and Percentage of Securities of Resulting Issuer Held	Types of Ownership
NMSIC Focused LLC <i>Santa Fe, New Mexico</i>	8,352,528 Resulting Issuer Restricted Voting Common Shares (51.16%)(1)(2) 100,277 Resulting Issuer Warrants (1.43%)	Direct

Notes:

- (1) The number of securities of the Resulting Issuer are provided on a post-Consolidation basis, assuming 16,326,474 Resulting Issuer Restricted Voting Common Shares outstanding upon completion of the Transaction.
- (2) Holders of Avisia Common Shares may elect to receive Resulting Issuer Restricted Voting Common Shares in exchange for the Avisia Common Shares. For details about the Resulting Issuer Restricted Voting Common Shares, see Section 10.1.
- (3) Assuming 7,034,964 Resulting Issuer Warrants outstanding upon completion of the Transaction.

Voting Trusts

To the knowledge of the Resulting Issuer, no voting trust exists within the Resulting Issuer such that more than 10% of any class of voting securities of the Resulting Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

Associates and Affiliates

To the knowledge of the Resulting Issuer, no such person is known.

13. DIRECTORS AND OFFICERS

13.1 Directors and Executive Officers of the Resulting Issuer

As of the date of this Listing Statement, the Resulting Issuer Board is composed of 3 directors, as set out below.

The following table lists the names, municipalities of residence of the directors and officers of the Resulting Issuer upon completion of the Transaction, their positions and offices held with the Resulting Issuer, and the number of securities of the Resulting Issuer beneficially owned, directly or indirectly, or over which control or direction will be exercised by each upon completion of the Transaction.

Name and Municipality of Residence	Period or periods during which each director or officer has served as a director or officer of the Resulting Issuer	Number and Percentage of Securities of Resulting Issuer Held ⁽²⁾
David S. Joseph⁽¹⁾ <i>Santa Fe, New Mexico</i>	Director, Chairman, President and Chief Executive Officer of the Resulting Issuer since the Effective Date	1,655,365 Resulting Issuer Restricted Voting Common Shares ⁽³⁾ (10.14%) 2,222 Resulting Issuer Warrants ⁽⁴⁾ (0.03%)
Matthew Culler <i>San Diego, California</i>	Vice President, Chief Financial Officer and Corporate Secretary of the Resulting Issuer since the Effective Date	104,464 Resulting Issuer Restricted Voting Common Shares ⁽³⁾ (0.64%) 218,750 Resulting Issuer Options ⁽⁵⁾ (9.8%)
Brian Birk⁽¹⁾ <i>Santa Fe, New Mexico</i>	Director of the Resulting Issuer since the Effective Date	140,000 Resulting Issuer Options ⁽⁵⁾ (6.27%)

Name and Municipality of Residence	Period or periods during which each director or officer has served as a director or officer of the Resulting Issuer	Number and Percentage of Securities of Resulting Issuer Held ⁽²⁾
Rajeev Dewan⁽¹⁾ <i>Richmond Hill, Ontario</i>	Director of the Resulting Issuer since the Effective Date	Nil

Notes:

- (1) Member of the Audit Committee.
- (2) The number of securities of the Resulting Issuer are provided on a post-Consolidation basis, assuming 16,326,474 Resulting Issuer Restricted Voting Common Shares outstanding upon completion of the Transaction.
- (3) Holders of Avisia Common Shares may elect to receive Resulting Issuer Restricted Voting Common Shares in exchange for the Avisia Common Shares. For details about the Resulting Issuer Restricted Voting Common Shares, see Section 10.1.
- (4) The number of securities of the Resulting Issuer are provided on a post-Consolidation basis, assuming 7,034,964 Resulting Issuer Warrants outstanding upon completion of the Transaction.
- (5) The number of securities of the Resulting Issuer are provided on a post-Consolidation basis, assuming 2,232,896 Resulting Issuer Options outstanding upon completion of the Transaction.

13.2 Period of Service of Directors

The directors were appointed as directors of the Resulting Issuer upon completion of the Merger and will remain directors of the Resulting Issuer until resignation or the next annual general meeting of the Resulting Issuer.

13.3 Directors and Executive Officer Resulting Issuer Share Ownership

The directors and executive officers of the Resulting Issuer as a group, directly or indirectly, beneficially own or exercise control or direction over: (i) nil Resulting Issuer Common Shares; and (ii) 1,759,829 Resulting Issuer Restricted Voting Common Shares, representing approximately 10.78% of the issued and outstanding Resulting Issuer Restricted Voting Common Shares.

13.4 Committees

The Audit Committee is comprised of Rajeev Dewan, Brian Birk and David S. Joseph.

The Audit Committee will consist of individuals who are “independent” and “financially literate” within the meaning of National Instrument 52-110 — *Audit Committees*. Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the relevant education and experience of each member of the Audit Committee, see the relevant biographical experiences for each member of the Audit Committee under Section 13.11.

The Resulting Issuer Board adopted a written charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110. The principal duties and responsibilities of the Audit Committee are to assist the Resulting Issuer Board in discharging the oversight of: (i) the integrity of the Resulting Issuer’s consolidated financial statements and accounting and financial processes and the audits of our consolidated financial statements; (ii) the Resulting Issuer’s compliance with legal and regulatory requirements; (iii) the Resulting Issuer’s external auditors’ qualifications and independence; (iv) the work and performance of the Resulting Issuer’s financial management and its external auditors; and (v) the Resulting Issuer’s system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Resulting Issuer Board.

The Audit Committee will have access to all books, records, facilities, and personnel and may request any information about the Resulting Issuer as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants, or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Resulting Issuer Board on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by the Resulting Issuer’s auditors.

The Resulting Issuer Board may from time to time establish additional committees.

13.5 Principal Occupation of Directors and Officers

Information on directors and executive officers' principal occupation is set out in Section 13.11.

13.6 Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed herein, no director, officer or promoter of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other Resulting Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

13.7 Penalties or Sanctions

Other than as disclosed below, no director, executive officer or promoter of the Resulting Issuer, or a shareholder holding a sufficient number of the Resulting Issuer's securities to affect materially the control of the Resulting Issuer, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13.8 Settlement Agreements

This section is not applicable to the Resulting Issuer.

13.9 Personal Bankruptcies

Except as disclosed herein, no director, executive officer or promoter of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or

instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.10 Conflicts of Interest

Following completion of the Transaction, conflicts of interest may arise as a result of the directors, officers and promoters of the Resulting Issuer also holding positions as directors or officers of other companies. Some of the individuals that are proposed to be directors and officers of the Resulting Issuer have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Resulting Issuer will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies provided under the OBCA.

To the best of FogChain and Avisia's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Resulting Issuer, its promoters, directors and officers or other members of management of the Resulting Issuer or of any proposed promoter, director, officer or other member of management except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

13.11 Management Details

The following is a brief description of each of the members of management for the Resulting Issuer (including details with regard to their principal occupations for the last five years):

David S. Joseph, Director, Chairman, President and Chief Executive Officer (Age 78)

Mr. Joseph is a Co-Founder of Avisia and has 40 years of healthcare and life science management experience. Mr. Joseph has been the co-founder and CEO of five companies (including the Resulting Issuer) in medical technology, biomaterials and biopharmaceuticals. Mr. Joseph served as Chairman and CEO of Othera Pharmaceuticals (2003-2010) and co-founder of Orthovita Inc, a company where he also served as President and CEO (1994-2002). Stryker Corporation (NYSE:SYK) acquired Orthovita in 2012 for \$350 million. Prior to Orthovita, Mr. Joseph co-founded two medical device companies: Surgical Laser Technologies, Inc. (1985-1992), which went public in 1989 and was acquired in 1992 by Photo Medix, and SITE Microsurgical Systems (1989-1983), which was acquired by Johnson & Johnson Corporation (NYSE:JNJ) in 1983. He also has over 15 years of executive healthcare management experience (1966-1980). Mr. Joseph received the Greater Philadelphia Venture Group's Raymond Rafferty Entrepreneurial Excellence Award in May 2005 for having founded four successful venture-backed companies and for his influence on the ophthalmic and medical technology industries.

Mr. Joseph's past and present board appointments include two successful acquisitions: Animas Corporation (1996-2006), a diabetes insulin pump technology acquired by Johnson & Johnson for approximately \$515 million in 2006; and Morphotek Inc. (2002-2004), a privately held biotechnology company acquired by Eisai Pharmaceuticals for approximately \$325 million in 2007. Mr. Joseph is currently a director of Allevi Inc. (2019-present), a 3D Bioprinting company. Past directorships include: Aspire Bariatrics Inc. (2008-2018), an obesity technology company; HTH Worldwide (1997-2003), a privately held internet travel health insurance and information company; TLC Vision (2001-2003), a leader in Lasik surgery centers; The Jackson Laboratory Board of Governing Trustees (1991-1994); and King's College Board of Directors (2000-2010). Mr. Joseph earned a Master of Business Administration in Healthcare Administration degree from Xavier University (1965-1967) and a Bachelor of Science degree from King's College (1960-1964).

Mr. Joseph will devote approximately 100% of his time to the Resulting Issuer's business.

Matthew Culler, Vice President, Chief Financial Officer and Corporate Secretary (Age 37)

Mr. Culler has over 15 years of financial markets and management experience. Prior to joining Avisia, Mr. Culler was Vice President, Finance & Operations at xF Technologies (2013-2016), a venture-backed renewable chemistry start-

up. Before his work at xF Technologies, Mr. Culler was a Principal at Sun Mountain Capital (2008-2013), one of the largest venture capital firms headquartered in the Southwest United States. Prior to Sun Mountain Capital, Mr. Culler participated in financings totaling over \$2 billion as a Senior Analyst in the Private Equity Placements Group of Bank of America's investment banking business in New York City (2005-2008). Mr. Culler earned a Bachelor of Business Administration degree in Finance with honors from the University of Texas at Austin (2001-2004).

Mr. Culler will devote approximately 50% of his time to the Resulting Issuer's business.

Brian Birk, Director (Age 60)

Mr. Birk is currently Managing Partner at Sun Mountain Capital and has over 20 years of experience as an operating executive and investor. Mr. Birk co-founded Sun Mountain Capital in 2006, a private equity firm focused on the Southwest and Rocky Mountain regions in the United States. Since that time, Sun Mountain has grown to be one of the largest private equity firms in the region, and currently manages direct investment funds and fund of funds vehicles. Prior to forming Sun Mountain Capital, Mr. Birk was a Vice President and Director of Private Equity at Fort Washington Capital Partners (2004-2006), where he helped the firm establish and manage a number of private equity direct investment funds, secondary investment funds, and fund of funds programs. Mr. Birk also has previous experience at Boston Consulting Group (1992-1999) and GE Capital (1982-1987). Mr. Birk earned a Master of Business Administration degree from the Kellogg School of Management at Northwestern University (1990-1992) and a Bachelor of Science degree in Economics degree from Carleton College (1978-1982).

Mr. Birk will devote approximately 10% of his time to the Resulting Issuer's business.

Rajeev Dewan, Director (Age 48)

Rajeev (Raj) Dewan is a partner in the Capital Markets and M&A group at McMillan LLP, a business law firm. Raj advises on all facets of corporate and securities law, with a particular emphasis on structuring financings and acquisitions. Mr. Dewan holds a Bachelor of Arts degree from the University of Toronto (1994), a Bachelor of Law degree from York University (1997) and a Certificate in Islamic Finance from the Rotman School of Management at the University of Toronto (2011).

Mr. Dewan will devote approximately 5% of his time to the Resulting Issuer's business.

14. CAPITALIZATION

Each of the tables in this Section 14 pertain to the Resulting Issuer Common Shares only as of the date of this Listing Statement.

14.1 Class of Securities

The following table sets out the number of the Resulting Issuer Common Shares available in the Resulting Issuer's Public Float and Freely-Tradeable Float on a diluted and non-diluted basis:

Issued Capital

	Number of Securities (non- diluted)	Number of Securities (fully-diluted)	%of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	41,219,310	66,813,644	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a	Nil	21,210,682	0%	31.7%

	Number of Securities (non- diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	41,219,310	45,602,962	100.0%	68.3%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	16,587,086	31,257,759	40.2%	46.8%
Total Tradeable Float (A-C)	24,632,224	35,555,885	59.8%	53.2%

Public Securityholders (Registered)

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	46	1,088
100 – 499 securities	12	2,406
500 – 999 securities	5	2,896
1,000 – 1,999 securities	6	9,809
2,000 – 2,999 securities	2	5,019
3,000 – 3,999 securities	2	6,972
4,000 – 4,999 securities	2	8,489
5,000 or more securities	112	41,182,631
TOTAL	187	41,219,310

Public Securityholders (Beneficial)

<u>Size of Holding⁽¹⁾</u>	<u>Number of holders</u>	<u>Total number of securities⁽²⁾</u>
1 – 99 securities ⁽³⁾	590	13,056
100 – 499 securities ⁽⁴⁾	138	36,825
500 – 999 securities	5	2,896
1,000 – 1,999 securities ⁽⁵⁾	72	79,086
2,000 – 2,999 securities ⁽⁶⁾	46	108,031
3,000 – 3,999 securities ⁽⁷⁾	3	10,072
4,000 – 4,999 securities ⁽⁸⁾	23	85,596
5,000 or more securities	194	40,871,557
Unable to confirm ⁽⁹⁾	N/A	12,191
TOTAL	1,071	41,219,310

Notes:

1. A share range report of beneficial holders holding Resulting Issuer Common Shares through an intermediary on a post-Consolidation basis was unavailable as of the date of this Listing Statement. As a result, certain assumptions and estimates were required in the calculations contained in this table, which are detailed below.
2. The number of Resulting Issuer Common Shares held by beneficial holders holding Resulting Issuer Common Shares through an intermediary are presented on a post-Consolidation basis by applying the Consolidation ratio to the aggregate number of Resulting Issuer Common Shares held by beneficial holders within the ranges described below.
3. Comprised of Canadian and U.S. beneficial holders holding between 1 and 1,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary.
4. Comprised of Canadian and U.S. beneficial holders holding between 2,000 and 9,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary.
5. Comprised of: (i) Canadian beneficial holders holding between 10,000 and 24,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary; and (ii) U.S. beneficial holders holding between 10,000 and 29,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary.
6. Comprised of: (i) Canadian beneficial holders holding between 25,000 and 49,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary; and (ii) U.S. beneficial holders holding between 30,000 and 39,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary.
7. Comprised of U.S. beneficial holders holding between 40,000 and 49,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary.
8. Comprised of Canadian and U.S. beneficial holders holding between 50,000 and 74,999 Resulting Issuer Common Shares on a pre-Consolidation basis through an intermediary.
9. Represents Resulting Issuer Common Shares held under the registered name of "CDS & CO" for which beneficial holder information was not available at the time of this Listing Statement.

Non-Public Securityholders (Beneficial)

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	Nil	Nil
TOTAL	Nil	Nil

14.2 Convertible Securities

Following completion of the Merger, the following convertible securities were outstanding that are convertible into Resulting Issuer Common Shares:

Description of Security (include conversion/exercise terms, including conversion/exercise price)			Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion/exercise
Exercise Price	Expiry Date	Type of Security		
\$4.20	October 1, 2022	Resulting Issuer Options	105,500	105,500
Between \$0.06 and \$0.43	July 24, 2023 to April 15, 2030	Resulting Issuer Options	2,127,396	2,127,396
\$0.67	March 27, 2023 to November 27, 2023	Resulting Issuer Warrants	858,226	858,226
\$0.45	April 1, 2024	Resulting Issuer Warrants	143,326	143,326

\$0.45	3 years from the Closing Date	Resulting Issuer Warrants	6,033,412	6,033,412
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14.3 Other Listed Securities

The Resulting Issuer does not have any other listed securities reserved for issuance that are not included in this Section 14.

15. EXECUTIVE COMPENSATION

FogChain

Details related to the executive compensation paid by FogChain, prepared in accordance with Form 51-102F6V of National Instrument – *Continuous Disclosure Obligations*, can be found on SEDAR (www.sedar.com) in FogChain's management information circular dated November 26, 2019.

Avisa

Director and Named Executive Officer Compensation (excluding compensation securities)

The following table sets out information concerning the compensation during calendar years ended December 31, 2020 and 2019 paid to Avisa's Directors, CEO, CFO and the three most highly compensated executive officers regardless of the amount of their compensation (the "**Avisa Named Executive Officers**"). Avisa has six (6) individuals for whom disclosure is required.

Table of Compensation Excluding Compensation Securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation
David Joseph, President, CEO and Director	2020	\$114,262	\$0	\$0	\$0	\$0	\$114,262
	2019	\$130,000	\$0	\$0	\$0	\$0	\$130,000
Matthew Culler, CFO	2020	\$76,890	\$0	\$0	\$0	\$0	\$76,890
	2019	\$71,042	\$0	\$0	\$0	\$0	\$71,042
Brian Birk, Director	2020	\$0	\$0	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0	\$0	\$0
William A. Miller, Director	2020	\$0	\$0	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0	\$0	\$0
J. Chuck Morrison, Director	2020	\$0	\$0	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0	\$0	\$0
Thomas Morse, Director	2020	\$0	\$0	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0	\$0	\$0

Stock Options and Other Compensation Securities

The following table sets out information concerning the compensation securities granted during the financial year ended December 31, 2020 to Avisa Named Executive Officers.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class ⁽¹⁾	Date of issue or grant	Issue, conversion or exercise price (\$) ⁽¹⁾	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Matthew Culler, CFO	Avisa Options	70,000 Avisa Options for 70,000 Avisa Common Shares (3.29%) ⁽²⁾	April 10, 2020	\$0.32	\$0.32	\$0.32	April 9, 2030
Brian Birk, Director	Avisa Options	70,000 Avisa Options for 70,000 Avisa Common Shares (3.29%) ⁽²⁾	April 10, 2020	\$0.32	\$0.32	\$0.32	April 9, 2030
William A. Miller, Director	Avisa Options	70,000 Avisa Options for 70,000 Avisa Common Shares (3.29%) ⁽²⁾	April 10, 2020	\$0.32	\$0.32	\$0.32	April 9, 2030
Thomas Morse, Director	Avisa Options	70,000 Avisa Options for 70,000 Avisa Common Shares (3.29%) ⁽²⁾	April 10, 2020	\$0.32	\$0.32	\$0.32	April 9, 2030

Notes:

(1) On a post-Split basis.

(2) Calculated as a percentage of the 2,127,396 Avisa Options outstanding immediately prior to the Closing.

No compensation securities were exercised during the financial year ended December 31, 2020 by Avisa Named Executive Officers.

Stock Option Plans and Other Incentive Plans

The Avisa Option Plan was adopted by Avisa in 2011 and is governed by the laws of the State of Delaware. Avisa may issue up to a maximum of 2,537,500 Avisa Options in aggregate under the Avisa Option Plan. Persons eligible to participate in the Avisa Option Plan are: employees of Avisa; independent board members of Avisa; and independent advisors who provide consulting services to Avisa.

Under the Avisa Option Plan, the exercise price of each Avisa Option may not be less than 100% of the fair market value of the Avisa Common Shares (calculated in accordance with the terms of the Avisa Option Plan) as of the grant date of the respective Avisa Option. The vesting schedule and expiration date of an Avisa Option is determined by the Avisa Board or the Avisa Board's designated administrative committee for the Avisa Option Plan.

Employment, Consulting and Management Agreements

No management functions of Avisa or its subsidiaries are to any substantial degree performed by a person other than the directors or senior officers of Avisa or its subsidiaries.

Termination and Change of Control Benefits

David S. Joseph, President and Chief Executive Officer

Mr. Joseph entered into an employment agreement with Avisa dated June 1, 2013. Pursuant to the terms and conditions of the agreement, Mr. Joseph is employed as the President, CEO and Chairman of the Avisa Board for an indefinite

period commencing on June 1, 2013. In consideration for Mr. Joseph's service as President and CEO, Avisa has agreed to pay Mr. Joseph an annual base salary of \$220,000, which shall be reviewed annually by the Resulting Issuer Board or the compensation committee. The base salary shall be increased to \$260,000 if Avisa receives an additional non-dilutive equity investment of at least \$3,000,000 over and above the previously committed preferred stock offering, during the term of Mr. Joseph's employment. Mr. Joseph is eligible to receive an annual cash bonus of up to 30% of his base salary, subject to the determination of the Resulting Issuer Board or the compensation committee. Such bonus shall be paid either through a grant of stock or fully vested stock options, or a one-time lump sum payment.

In the event that Mr. Joseph is terminated by Avisa, Mr. Joseph is entitled to receive: (i) any earned but unpaid portion of his base salary computed on a pro rata basis through the date of termination and any unreimbursed business expenses reasonably incurred; and (ii) any vested and/or accrued unpaid rights under investment compensation, retirement, employee welfare or other employee benefits plan of Avisa. In the event that Mr. Joseph is terminated by Avisa for reasons other than for cause, the portion of any future equity-based incentives granted to Mr. Joseph, then outstanding, shall immediately be cancelled except those that would vest in the 12 months following the date of termination, shall be vested immediately and/or, as applicable, paid or settled.

In the event that Mr. Joseph is terminated by Avisa other than as a result of death or disability or for reasons other than for cause, Mr. Joseph is also entitled to receive the base salary for a period of one year from the date of termination.

Mr. Joseph has also entered into a standard non-disclosure, assignment of inventions, non-solicitation and non-compete agreement.

Oversight and Description of Director and Named Executive Compensation

Compensation Philosophy and Objectives

The objectives of Avisa's executive compensation policy are: (a) to attract and retain individuals of high calibre to serve as officers of Avisa; (b) to motivate their performance in order to achieve Avisa's strategic objectives; and (c) to align the interests of executive officers with the long-term interests of Avisa shareholders.

Overview

The board of directors, on the recommendation of management, of Avisa is responsible for setting the overall compensation strategy of Avisa and evaluating and making determinations for the compensation of its directors and executive officers. The board of directors, on the recommendation of management, periodically reviews and determines base salary.

Each executive officer receives a base salary. The salary of the executive officers of Avisa is believed to be similar to salaries provided by comparable companies. No personal benefits are granted to the executive officers of Avisa.

Avisa offers typical group benefit plans, including medical, dental, vision, life, accidental death and dismemberment and short and long term disability coverage.

While Avisa reimburses its executive officers for expenses incurred in the course of performing their duties as executive officers of Avisa, Avisa has not provided any compensation that would be considered a perquisite or personal benefit to its executive officers.

Avisa has a stock option plan and grants options to recruit and retain key personnel including management and members of its board of directors. Avisa also grants stock options for performance on a periodic basis as approved by its board of directors.

Resulting Issuer

Compensation Discussion and Analysis

Disclosure of the executive compensation practices for Avisia is set forth above. It is anticipated that the Resulting Issuer will continue the executive compensation practices of Avisia upon Closing of the Transaction. It is anticipated that from time to time Resulting Issuer Options will be granted under the Resulting Issuer Stock Option Plan to: provide an incentive to the participants; to achieve the longer-term objectives of the Resulting Issuer; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting Issuer; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer.

Director Compensation

Upon completion of the Transaction the directors of the Resulting Issuer will determine how much, if any, compensation will be paid to directors for services rendered to the Resulting Issuer by them in that capacity. Such incentives may be in the form of an annual director's fee and/or in the form of incentive Resulting Issuer Options pursuant to the Resulting Issuer Stock Option Plan.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Resulting Issuer or person who acted in such capacity in the last financial year of the Resulting Issuer, or director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of the Resulting Issuer, indebted to the Resulting Issuer nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer.

17. RISK FACTORS

Prior to making any investment decision regarding the Resulting Issuer, investors should carefully consider, among other things, the risk factors set forth below.

While this Listing Statement describes the risks and uncertainties that management of the Resulting Issuer believe to be material to the Resulting Issuer's business, it is possible that other risks and uncertainties affecting the Resulting Issuer's business will arise or become material in the future.

If the Resulting Issuer is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Resulting Issuer Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Resulting Issuer:

Completion of the Transaction

The completion of the Transaction is subject to several conditions precedent. There can be no assurances that the Transaction, either on the terms of the Merger Agreement or as negotiated, will be completed. In the event that any of those conditions are not satisfied or waived, the Transaction may not be completed.

Business Risks

Retention and Acquisition of Skilled Personnel

The loss of any member of Avisia's management team, could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on Avisia's business and operating results. The expansion

of marketing and sales of its products will require Avisia to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and Avisia may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and in many cases, take a significant amount of time before they achieve full productivity. As a result, Avisia may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as Avisia moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

Managing Growth

In order to manage growth and changes in strategy effectively, Avisia must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Avisia expects to invest its earnings and capital to support its growth, but may incur additional unexpected costs. If Avisia incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

Insurance Coverage

Avisia's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to Avisia and environmental contingencies.

May Lose Entire Investment

An investment in the Resulting Issuer Shares is speculative and may result in the loss of your entire investment. Only potential investors who are experienced in high-risk investments and who can afford to lose their entire investment should consider purchasing the Resulting Issuer Shares. There is no assurance that the Resulting Issuer will make its products and services commercially viable, or that it will realize any material revenues.

Limited Operating History

The Resulting Issuer has limited history of operations and is considered a start-up company. As such, the Resulting Issuer is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Resulting Issuer will be successful in achieving a return on its shareholders' investments and the likelihood of the Resulting Issuer's success must be considered in light of its early stage of operations.

Further Equity Financing May Substantially Dilute The Interests Of Shareholders.

The Resulting Issuer may require additional funds to fund clinical trials. If the Resulting Issuer raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of its shareholders. The Resulting Issuer has negative cash flow and no history of earnings nor near term prospects for earnings and so expects to be primarily dependent upon public and private sales of its equity shares to obtain capital in order to sustain operations. Such share sales result in dilution to existing shareholders.

None of the Resulting Issuer's products have advanced to the commercial production stage and the Resulting Issuer has no history of earnings or positive cash flow from operations. The Resulting Issuer does not know if it will ever generate material revenue from its products or if it will ever achieve commercial operations. Any future equity financing would dilute the interests of current stockholders.

The Resulting Issuer's Actual Financial Position And Results Of Operations May Differ Materially From The Expectations Of The Resulting Issuer's Management

The Resulting Issuer's actual financial position and results of operations may differ materially from management's expectations. The Resulting Issuer has experienced some changes in its operating plans and certain delays in its plans. As a result, the Resulting Issuer's net loss and cash flow may differ materially from the Resulting Issuer's projected net loss and cash flow. The process for estimating the Resulting Issuer's net loss and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Resulting Issuer's financial condition or results of operations.

The Market May Not Accept The Resulting Issuer's Products, Which Will Adversely Affect Its Business, Financial Condition, And Results Of Operations

The market acceptance of the Resulting Issuer's products will depend upon the medical community accepting the products as clinically useful, reliable, accurate, and cost-effective as compared to existing and future products or procedures. Market acceptance will also depend on the Resulting Issuer's ability to demonstrate the clinical efficacy and safety of the Resulting Issuer's products and future products. Failure of these new products to achieve significant market share could have material adverse effects on the Resulting Issuer's long-term business, financial condition, and results of operation.

The Resulting Issuer's Success Depends On The Successful Commercialization Of Its Technology

The successful commercialization of the Resulting Issuer's technology is crucial for its success. Even if the Resulting Issuer's technology is shown to be less costly and more effective, the Resulting Issuer may face unforeseen difficulties in manufacturing and marketing the Resulting Issuer's products. These difficulties may only become apparent upon scaling up manufacturing to commercial levels. In addition, there is no guarantee that market acceptance will come upon the successful manufacturing and sale of any product. If the Resulting Issuer's technology and products do not result in commercially successful products, the Resulting Issuer's business could be adversely affected.

The Resulting Issuer Depends Upon Its Key Personnel To Achieve Its Business Objectives

The Resulting Issuer is dependent upon its key personnel to achieve its business objectives. The Resulting Issuer is a technology-driven company, and intellectual input from key management and personnel is critical to achieve its business objectives. Consequently, the Resulting Issuer's ability to retain key personnel and attract other qualified individuals is critical to its success. The loss of the services of key personnel might significantly delay or prevent achievement of the Resulting Issuer's business objectives. In addition, because of a relative scarcity of individuals with the high degree of education and scientific achievement required for the Resulting Issuer's business, competition among medical device companies for qualified employees is intense and, as a result, the Resulting Issuer may not be able to attract and retain such individuals on acceptable terms, or at all. The Resulting Issuer does not maintain "key person" life insurance on any of its officers, employees, or consultants, and so any delay in replacing such persons, or an inability to replace them with persons of similar expertise, would have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer also has relationships with scientific collaborators at academic and other institutions, some of whom conduct research at the Resulting Issuer's request or assist the Resulting Issuer in formulating its research and development strategies. These scientific collaborators are not employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to the Resulting Issuer. In addition, even though the Resulting Issuer's collaborators are required to sign confidentiality agreements prior to working with the Resulting Issuer, they may have arrangements with other companies to assist such other companies in developing technologies that may prove competitive to the Resulting Issuer. Incentive provisions for the Resulting Issuer's key executives include the granting of stock options that vest over time, designed to encourage such individuals to stay with the Resulting Issuer. However, a low share price, whether as a result of disappointing progress in the Resulting Issuer's sales or development programs or as a result of market conditions generally, could render such agreements of little value to the Resulting Issuer's key executives. In such event, the Resulting Issuer's key executives could be susceptible to being hired away by competitors who could offer a better compensation package. If the Resulting Issuer is unable to attract and retain key personnel, the Resulting Issuer's business, financial conditions and results of operations may be adversely affected.

Regulatory Approvals

Medical devices are subject to regulatory clearances within individual markets and jurisdictions. As such, they are evaluated for compliance with established consensus standards. With a non-invasive / non-emitting medical device that possesses a lower level of risk, typically the 510(k) process would be followed in which a manufacturer must identify an existing “predicate” device from which to compare the new technology. If no clear predicate device is identified, then the submission must be conducted under the de novo submission process, or the PMA process for higher risk devices. There is no guarantee that the device will get FDA clearance or approval.

Reimbursements

Reimbursement by Medicare and other programs in the United States is highly regulated and subject to change. Failure by the Resulting Issuer to obtain an optimal reimbursement code, amount and coverage decision from the Centers for Medicare & Medicaid Services could decrease future revenues. Even once a coverage decision is obtained, the amount of such coverage is subject to change. Any decrease in coverage could decrease future revenues for the Resulting Issuer.

Inability to complete future research and development and engineering projects in a timely manner could have a material adverse effect on results of operations, financial condition and cash flows.

If research and development projects are not completed in a timely fashion, the Resulting Issuer could experience:

- substantial additional cost to obtain a marketable product;
- additional competition resulting from competitors in the surveillance and facial recognition market; and
- delay in obtaining future inflow of cash from financing or partnership activities.

The Resulting Issuer Could Face Intense Competition, Which Could Result In Lower Revenues And Higher Research And Development Expenditures And Could Adversely Affect The Results Of Operations

Unless the Resulting Issuer keeps pace with changing technologies, the Resulting Issuer could fail to win new customers. In order to compete effectively in providing medical diagnostic solutions for healthcare providers, the Resulting Issuer must continually design, develop and market new and enhanced technologies. The future success of the Resulting Issuer will depend, in part, upon its ability to address the changing and sophisticated needs of the marketplace. It is difficult to achieve widespread commercial acceptance and adoption of medical diagnostic solution technologies.

The market for medical diagnostic solutions is still developing. If the medical industry adopts test criteria that are substantially different from internal test criteria of the Resulting Issuer, then this would negatively affect the Resulting Issuer’s competitive position. The Resulting Issuer’s intention to pursue sales in international markets may be limited by risks related to conditions in such markets.

Certain Laws and Governmental Regulations That Could Affect International Distribution And Applications

The medical diagnostic solutions may be regulated by regionally valid legislation, including health legislation and regulations concerning use and adoption of the Resulting Issuer’s patents. If the Resulting Issuer is not able to adequately protect the intellectual property, then the Resulting Issuer may not be able to compete effectively and may not be profitable.

The Resulting Issuer’s commercial success will depend, in part, in obtaining and maintaining patent protection for the Resulting Issuer’s licensed technology, trade mark registrations, trade secret protection and regulatory protection as well as successfully defending third-party challenges to such technologies and intellectual property rights. The Resulting Issuer will be able to protect its technologies and intellectual property rights from use by third parties only to the extent that valid and enforceable patents, trade marks, trade secrets or regulatory protection cover them and the Resulting Issuer has exclusive rights to use them. The ability of the Resulting Issuer’s licensors to maintain patent

rights against third-party challenges to their validity, scope or enforceability will also play an important role in determining the Resulting Issuer's future.

Since the Resulting Issuer will not fully control the patent prosecution of any of the patent applications for products which the Resulting Issuer licenses from licensors, it is possible that the Resulting Issuer's licensors will not devote the same resources or attention to the prosecution of the licensed patent applications as the Resulting Issuer would if the Resulting Issuer controlled the prosecution of the applications. Consequently, the resulting patent protection, if any, may not be as strong or comprehensive as it would be had the Resulting Issuer done so.

The patent positions of medical diagnostic device companies can be highly uncertain and involve complex legal and factual questions that include unresolved principles and issues. No consistent policy regarding the breadth of claims allowed regarding such companies' patents has emerged to date in the United States, and the patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States or in other countries may diminish the value of the Resulting Issuer's intellectual property. Accordingly, the Resulting Issuer cannot predict with any certainty the range of claims that may be allowed or enforced concerning any patents which the Resulting Issuer develops or third-party patents which the Resulting Issuer licenses from third parties.

The Resulting Issuer may also rely on trade secrets to protect the Resulting Issuer's technologies, especially where the Resulting Issuer does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. While the Resulting Issuer will seek to continue to protect confidential information, in part through confidentiality agreements with the Resulting Issuer's consultants and scientific and other advisors, they may unintentionally or will fully disclose the Resulting Issuer's information to the public or to competitors. Enforcing a claim against a third party related to the illegal acquisition and use of trade secrets can be expensive and time consuming, and the outcome is often unpredictable.

If the Resulting Issuer is not able to maintain patent or trade secret protection on the Resulting Issuer's technologies, then the Resulting Issuer may not be able to exclude competitors from developing or marketing competing products, and the Resulting Issuer may not be able to operate profitably. The Resulting Issuer will also rely on trade marks to identify and market the Resulting Issuer's products. The validity and value of trade marks depend on successfully securing such trade mark rights by registration and by diligently defending such rights from third parties using the same or similar marks. There is no assurance that the Resulting Issuer's trade mark applications will be successful or, if successful, that the Resulting Issuer will be able to identify any third parties' usage of the same or similar marks to an extent that such trade mark rights could be lost. Registration of trade mark rights occurs on a country by country basis and the Resulting Issuer has not as yet applied for registration in any countries other than the United States and, accordingly, the Resulting Issuer's business expansion opportunities into other countries using those trade marks may be limited or even prohibited if other third parties proceed with prior registration applications in those other countries.

If The Resulting Issuer Is The Subject Of An Intellectual Property Infringement Claim, The Cost Of Participating In Any Litigation Could Cause The Resulting Issuer To Go Out Of Business

There has been, and the Resulting Issuer believes that there will continue to be, significant litigation and demands for licenses in the medical diagnostic industry regarding patent and other intellectual property rights. Although the Resulting Issuer anticipates having a valid defense to any allegation that the Resulting Issuer's patents infringe the valid and enforceable intellectual property rights of any third parties, the Resulting Issuer cannot be certain that a third party will not challenge the position of the Resulting Issuer in the future. Other parties may own patent rights that could be infringed upon by the Resulting Issuer through the use of its patents or through other activities, and the Resulting Issuer's competitors or other patent holders may assert that the Resulting Issuer's products and the methods that the Resulting Issuer employs are covered by their patents. These parties could bring claims against the Resulting Issuer that would cause the Resulting Issuer to incur substantial litigation expenses and, if successful, may require the Resulting Issuer to pay substantial damages. Some of the potential competitors may be better able to sustain the costs of complex patent litigation, and depending on the circumstances, the Resulting Issuer could be forced to stop or delay research, development, manufacturing or sales activities. Any of these costs could cause the Resulting Issuer to go out of business.

The Resulting Issuer May In The Future Be Required To License Patent Or Other Intellectual Property Rights From Third-Party Owners In Order To Develop The Resulting Issuer's Products

If the Resulting Issuer cannot obtain those licenses or if third-party owners do not properly maintain or enforce the patents underlying such licenses, the Resulting Issuer may not be able to market, sell or license its products. The Resulting Issuer has patent-protected technologies and the Resulting Issuer may also license other intellectual property from other third parties, if the Resulting Issuer believes that it is necessary or useful to use additional third-party intellectual property. The Resulting Issuer will be required to pay license fees or royalties or both to obtain such licenses, and there is no guarantee that such licenses will be available on acceptable terms, if at all. Even if the Resulting Issuer is able to successfully obtain a license, certain rights may be non-exclusive or co-exclusive, and this would give its competitors access to some of the same intellectual property, which could ultimately prevent the Resulting Issuer from commercializing a product or could result in significant losses from any attempts at commercialization.

Upon obtaining a license, the Resulting Issuer's business prospects will depend, in part, on the ability of its licensors to obtain, maintain and enforce patent protection on the Resulting Issuer's licensed intellectual property. the Resulting Issuer's licensors may terminate such licenses, may not pursue and successfully prosecute any potential patent infringement claim, may fail to maintain their patent applications, or may pursue any litigation less aggressively than the Resulting Issuer would. Without protection for the intellectual property that the Resulting Issuer licenses, other companies may be able to offer substantially similar products for sale, and the Resulting Issuer may not be able to market or sell its planned products or generate any revenues.

The Resulting Issuer's patents may become obsolete and unmarketable if the Resulting Issuer is unable to respond adequately to rapidly changing technology and customer demands.

The medical diagnostic industry is characterized by rapid changes in technology and customer demands. As a result, products and software of the Resulting Issuer may quickly become obsolete and unmarketable. The Resulting Issuer's future success will depend on its ability to adapt to technological advances, anticipate customer demands, develop new products and enhance current products on a timely and cost-effective basis. Further, products and software of the Resulting Issuer must remain competitive with those of other companies with substantially greater resources. The Resulting Issuer may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products and software or enhanced versions of existing products. Also, the Resulting Issuer may not be able to adapt new or enhanced services to emerging industry standards, and new products and software of the Resulting Issuer may not be favorably received.

Failure To Achieve And Maintain The High Manufacturing Standards That The Resulting Issuer's Products Require May Seriously Harm Its Business

The Resulting Issuer's products require precise and high-quality manufacturing. Achieving precision and quality control requires skill and diligence by the Resulting Issuer's personnel or manufacturers, as well as its vendors. Any failure on the Resulting Issuer's, or its manufacturer's, part to achieve and maintain these high manufacturing standards, including the incidence of manufacturing errors, design defects or component failures, could conceivably result in physical injury, harm or the death of end users of the Resulting Issuer's products, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously harm the Resulting Issuer's business. Despite the Resulting Issuer's anticipated high manufacturing standards, the Resulting Issuer cannot eliminate the risk of errors, defects or failures. If the Resulting Issuer is unable to eliminate the risk of errors, defects or failures, its business and results of operations may be negatively affected.

The Resulting Issuer Is Dependent On Its Suppliers And Manufacturers To Meet Existing Regulations

Future suppliers and manufacturers could be subject to heavy government regulation. This may include United States Food and Drug Administration (the "USFDA") Quality System Regulation compliance in the operation of their facilities, products, and manufacturing processes. Any adverse action by the USFDA against the Resulting Issuer's suppliers or manufacturers could delay supply or manufacture of component products required to be integrated or sold with the Resulting Issuer's products. There are no assurances that the Resulting Issuer will be successful in locating

an alternative supplier or manufacturer to meet product shipment or launch deadlines. As a result, the Resulting Issuer's sales, contractual commitments, and financial forecasts may be significantly affected by any such delays.

The Resulting Issuer May Be Subject To Product Liability Claims or Regulatory Action If Its Products Are Alleged To Have Caused Significant Loss Or Injury

As a distributor of products, the Resulting Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Resulting Issuer's products would involve the risk of injury to consumers due to tampering by unauthorized third parties.

Previously unknown adverse reactions resulting from the use of the Resulting Issuer's products alone or in combination with other products or medications could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products.

United States Tax Classification of The Resulting Issuer

The Resulting Issuer, which will continue to be a corporation incorporated under the OBCA following completion of the Transaction, generally would be classified as a non-United States corporation under general rules of United States federal income taxation under the United States Internal Revenue Code of 1986, as amended (the "U.S. Tax Code"). Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "inversion") if each of the following three conditions are met: (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

For this purpose, "expanded affiliated group" means a group of corporations where: (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Resulting Issuer will be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company for Canadian income tax purposes. As a result, the Resulting Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Resulting Issuer will pay any dividends on the Resulting Issuer Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available. Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax.

Dividends paid by the Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax. Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Resulting Issuer, subject to examination of the relevant treaty. Because the Resulting Issuer Shares will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of Resulting Issuer Shares.

Financial and Accounting Risks

Access to Capital

Avisa makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, Avisa has financed these expenditures through offerings of its equity securities. Avisa will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Avisa may incur major unanticipated liabilities or expenses. Avisa can provide no assurance that it will be able to obtain financing to meet the growth needs of its operations.

Foreign Sales

Avisa's functional currency is denominated in U.S. dollars. Avisa currently expects that sales will be denominated in U.S. dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, Avisa incurs the majority of its operating expenses in U.S. dollars. In the future, the proportion of Avisa's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact Avisa's business, financial condition and results of operations. Avisa has not previously engaged in foreign currency hedging. If Avisa decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Avisa from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Avisa bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Avisa Financial Statements set forth in Schedule "A", the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Avisa's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Avisa's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of Avisa. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Risks Related to the Resulting Issuer Common Shares and Completion of the Transaction

Market for the Resulting Issuer Common Shares

There can be no assurance that an active trading market for the Resulting Issuer Common Shares will develop or, if developed, that any market will be sustained. Avisia cannot predict the prices at which the Resulting Issuer Common Shares will trade. The price of the Avisia Subscription Receipts was determined in the context of the Panorama QT and might not bear any relationship to the market price at which the Resulting Issuer Common Shares will trade or to any other established criteria of the value of Avisia's business. Fluctuations in the market price of the Resulting Issuer Common Shares could cause an investor to lose all or part of its investment in Resulting Issuer Common Shares. Factors that could cause fluctuations in the trading price of the Resulting Issuer Common Shares include: (a) announcements of new offerings, products, services or technologies, commercial relationships, acquisitions or other events by Avisia or its competitors; (b) price and volume fluctuations in the overall stock market from time to time; (c) significant volatility in the market price and trading volume of agriculture companies; (d) fluctuations in the trading volume of the Resulting Issuer Common Shares or the size of Avisia's public float; (e) actual or anticipated changes or fluctuations in Avisia's results of operations; (f) whether Avisia's results of operations meet the expectations of securities analysts or investors; (g) actual or anticipated changes in the expectations of investors or securities analysts; (h) litigation involving Avisia, its industry, or both; (i) regulatory developments in the United States and foreign countries; (j) general economic conditions and trends; (k) major catastrophic events; (l) escrow releases, sales of large blocks of the Resulting Issuer Common Shares; (m) departures of key employees or members of management; or (n) an adverse impact on Avisia from any of the other risks cited herein.

Reporting Issuer Status

From the date of incorporation to the date of this Listing Statement, Avisia has not been subject to the continuous and timely disclosure requirements of Canadian Securities Laws or other rules, regulations and policies of the CSE. As a reporting issuer, Avisia will be subject to reporting requirements under applicable securities law and stock exchange policies. Avisia is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to Avisia's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, Avisia will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm Avisia's business and results of operations. Avisia may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses.

Significant Sales of Resulting Issuer Common Shares

The Resulting Issuer Common Shares held by Avisia's directors, executive officers, control Persons and certain other security holders of Avisia may be subject to contractual lock-up restrictions and may also be subject to escrow and pursuant to the policies of the CSE. Sales of a substantial number of the Resulting Issuer Common Shares in the public market after the expiry of lock-up, or escrow restrictions, or the perception that these sales could occur, may adversely affect the market price of the Resulting Issuer Common Shares and could make it more difficult for investors to sell Resulting Issuer Common Shares at a favourable time and price.

Analyst Coverage

The trading market for the Resulting Issuer Common Shares may become dependent on the research and reports that securities or industry analysts publish about Avisia or its business. Avisia will not have any control over these analysts. If one or more of the analysts who covers Avisia should downgrade the Resulting Issuer Common Shares or change their opinion of Avisia's business prospects, Avisia's share price would likely decline. If one or more of these analysts ceases coverage of Avisia or fails to regularly publish reports on Avisia, Avisia could lose visibility in the financial markets, which could cause the Resulting Issuer Common Share price or trading volume to decline.

Tax Issues

There are income tax consequences in relation to the Resulting Issuer Common Shares in the context of the Transaction that will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

Completion of the Transaction is Subject to Conditions Precedent

The completion of the Transaction is subject to a number of conditions precedent, including the final approval by the CSE. There can be no assurance that these conditions will be satisfied and that the Transaction will be completed.

The Resulting Issuer's Business Could Be Adversely Affected By The Effects Of Health Epidemics, Including The Global COVID-19 Pandemic

In December 2019, a novel strain of coronavirus (SARS-CoV-2), which causes the disease known as COVID-19, was reported in China. Since then, the COVID-19 has spread globally including across the United States. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including the United States, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses.

Specifically, as at the date of this Listing Statement, the Resulting Issuer's business could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. The risk of a pandemic, or public perception of the risk, could cause temporary or long-term disruptions in the Resulting Issuer's business plans. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Resulting Issuer's operations, if the Resulting Issuer's personnel or the personnel of the Resulting Issuer's sourcing partners who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one of the Resulting Issuer's facilities or operations of the Resulting Issuer's sourcing partners. The spread of COVID-19, which has caused a broad impact globally, may materially affect the Resulting Issuer economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Resulting Issuer's ability to access capital, which could in the future negatively affect the Resulting Issuer's liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Resulting Issuer's business and the value of the Resulting Issuer's securities. The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Resulting Issuer's business, operations and financial performance will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, changes to the regulatory regimes under which the Resulting Issuer operates, the effectiveness of actions taken in United States and other countries to contain and treat the disease and whether the United States and additional countries are required to move to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

Enforcement of Judgments/Bringing Actions

Avisa is organized under the laws of Delaware and headquartered in New Mexico. In addition, all of the Resulting Issuer's assets are located outside of Canada. As a result, it may be difficult or impossible for an investor to enforce judgments against the Resulting Issuer and its directors and officers obtained in Canadian courts in courts outside of Canada based upon the civil liability provisions applicable Canadian Securities Laws or bring an original action against the Resulting Issuer and its directors and officers to enforce liabilities based upon such Canadian Securities Laws in courts outside of Canada.

18. PROMOTERS

David S. Joseph of Santa Fe, New Mexico, may be considered to be the promoter of the Resulting Issuer, having taken the initiative in founding and organizing the business of Avisa. Following the completion of the Transaction, Mr.

Joseph will hold or exercise beneficial control over Resulting Issuer Common Shares. For information as to: (i) the percentage of Resulting Issuer Common Shares beneficially owned, directly or indirectly, or over which control is exercised, by Mr. Joseph; (ii) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by Mr. Joseph from the Resulting Issuer and the nature and amount of any assets, services or other consideration therefor received or to be received by the Resulting Issuer in return, see Sections 13.1 and 15.

19. LEGAL PROCEEDINGS

Except as disclosed herein, there are no material legal proceedings to which the Resulting Issuer is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of the Resulting Issuer, there are no such proceedings contemplated.

There have not been any penalties or sanctions imposed against the Resulting Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years prior to the date of this Listing Statement, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Resulting Issuer, and the Resulting Issuer not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years prior to the date of this Listing Statement.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described herein, to the knowledge of FogChain and Avisia's management, no proposed director or officer, insider, nor any of their respective associates, affiliates or member of their group have any interest in any material transaction of the Resulting Issuer since its incorporation.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The auditor of Avisia is Smythe LLP, Chartered Professional Accountants, located at 475 Howe St #1700, Vancouver, BC V6C 2B3.

The auditor of FogChain is Dale Matheson Carr-Hilton Labonte LLP, located at 1500-1140 West Pender St., Vancouver, British Columbia V6E 4G1.

On completion of the Transaction, the auditor of the Resulting Issuer is expected to be Smythe LLP, located at 475 Howe St #1700, Vancouver, BC V6C 2B3. Smythe LLP is independent of Avisia and FogChain, in accordance with the Code of Professional Conducts of the Chartered Professional Accountants of British Columbia.

21.2 Registrar and Transfer Agent

FogChain's registrar and transfer agent, TSX Trust Company, located at 650 West Georgia Street, Suite 2700 Vancouver, BC V6B 4N9 will be the registrar and transfer agent of the Resulting Issuer.

22. MATERIAL CONTRACTS

Except for contracts entered into by the Resulting Issuer in the ordinary course of business, the only material contracts entered into by the Resulting Issuer in the previous two (2) years are the following:

- (a) the Merger Agreement;
- (b) the Subscription Receipt Agreement; and
- (c) the GEM Agreement.

Please see Sections 3.2 and 4.1 for the particulars of the material contracts referenced above.

23. INTEREST OF EXPERTS

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of the Resulting Issuer or an Associate or Affiliate of the Resulting Issuer. Smythe LLP and Dale Matheson Carr-Hilton Labonte LLP are independent of the Resulting Issuer and have conducted their audits in accordance with Canadian generally accepted auditing standards.

24. OTHER MATERIAL FACTS

The Resulting Issuer is not aware of any other material facts relating to Avisia, FogChain or the Resulting Issuer or to the Transaction that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to Avisia, FogChain, and the Resulting Issuer, assuming completion of the Transaction, other than those set forth herein.

25. FINANCIAL STATEMENTS

25.1 Financial Statements

Please see attached for the following financial statements:

- the audited financial statements of Avisia as at December 31, 2020, December 31, 2019, December 31, 2018 and January 1, 2018 and for the years ended December 31, 2020 and 2019, and related notes thereto attached hereto as Schedule “A”;
- the audited consolidated financial statements of FogChain as of and for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, and related notes thereto attached hereto as Schedule “B”;
- the *pro forma* consolidated financial statements of the Resulting Issuer as at December 31, 2020 attached hereto as Schedule “C”;
- the annual management’s discussion and analysis of Avisia attached hereto as Schedule “D”; and
- the annual management’s discussion and analysis of FogChain attached hereto as Schedule “E”.

CERTIFICATE OF FOGCHAIN CORP.

Pursuant to a resolution duly passed by its Board of Directors, FogChain Corp. hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to FogChain Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 11th day of May, 2021.

(signed) "*James Cerna*"

James Cerna
Chief Executive Officer

(signed) "*Robert Kang*"

Robert Kang
Chief Financial Officer

(signed) "*James Cerna*"

James Cerna
Director

(signed) "*Charles Berman*"

Charles Berman
Director

CERTIFICATE OF AVISA PHARMA INC.

The foregoing contains full, true and plain disclosure of all material information relating to Avisia Pharma Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 11th day of May, 2021.

(signed) "*David S. Joseph*"

David S. Joseph
Chief Executive Officer and
President

(signed) "*Matthew Culler*"

Matthew Culler
Chief Financial Officer

(signed) "*Brian Birk*"

Brian Birk
Director

(signed) "*William A. Miller*"

William A. Miller
Director

(signed) "*David S. Joseph*"

David S. Joseph
Promoter

SCHEDULE "A"

**The Audited Financial Statements of Avis Rent A Car System, Inc. as at December 31, 2019, December 31, 2018 and January 1, 2018
and for the years ended December 31, 2020 and 2019**

See attached.

AVISA PHARMA INC.

Financial Statements

**For the years ended December 31, 2020 and 2019
(Expressed in United States Dollars)**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AVISA PHARMA INC.

Opinion

We have audited the financial statements of Avisa Pharma Inc. (the "Company"), which comprise:

- ♦ the statements of financial position as at December 31, 2020 and 2019;
- ♦ the statements of loss and comprehensive loss for the years then ended;
- ♦ the statements of changes in shareholders' deficiency for the years then ended;
- ♦ the statements of cash flows for the years then ended; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has a deficit of \$27,458,184 as at December 31, 2020 and, for the year then ended incurred a net loss of \$4,076,759. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 7, 2021

AVISA PHARMA INC.
Statements of Financial Position
(Expressed in United States Dollars)

As at December 31,	2020	2019
Assets		
Current		
Cash	\$ 438,840	\$ 106,672
Restricted cash (note 10)	959,894	-
Prepaid expenses	5,763	11,324
	1,404,497	117,996
Furniture and equipment (note 4)	18,160	15,967
Deposits	3,528	3,528
	\$ 1,426,185	\$ 137,491
Liabilities and shareholders' deficiency		
Liabilities		
Current		
Accounts payable and accrued liabilities (note 13)	\$ 904,810	\$ 259,862
Interest payable (notes 5 and 13)	2,401,629	1,684,912
Convertible debt (notes 5 and 13)	4,518,062	4,583,730
Convertible debt derivative (note 5)	523,570	-
Senior notes (note 6)	1,360,667	750,070
Senior notes derivative (note 6)	1,362,371	972,737
Warrants liability (note 7)	330,622	381,787
Preferred shares (note 10)	13,704,342	13,001,966
Subscriptions received (note 10)	1,109,123	-
	26,215,196	21,635,064
Promissory notes (note 8)	684,561	-
	26,899,757	21,635,064
Shareholders' deficiency		
Common shares (note 10)	1,333	1,333
Series A preferred shares (note 10)	2,384	2,384
Series A-1 preferred shares (note 10)	1,678	1,678
Share premium (note 10)	1,675,999	1,675,999
Reserve (note 11)	303,218	202,458
Deficit	(27,458,184)	(23,381,425)
	(25,473,572)	(21,497,573)
	\$ 1,426,185	\$ 137,491

Approved on behalf of the Board:

"David Joseph" (signed)

"Brian Birk" (signed)

Director

Director

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

AVISA PHARMA INC.**Statements of Loss and Comprehensive Loss**
(Expressed in United States Dollars)

For the years ended December 31	2020	2019
Operating expenses		
Consulting fees (note 13)	\$ 177,426	\$ 127,804
Depreciation (note 4)	12,046	11,198
General and administrative	129,672	133,114
Professional fees (notes 1 and 10)	791,857	66,627
Research and development (note 12)	38,874	72,225
Salary and benefits (notes 9 and 13)	344,390	469,145
Stock-based compensation (notes 11 and 13)	100,760	22,461
Travel	8,185	66,100
	(1,603,210)	(968,674)
Other items		
Accretion expense (notes 5 and 6)	(651,330)	(502,446)
Gain on modification of debt (notes 5 and 6)	237,706	-
Gain on exchange of debt (note 5)	28,125	37,928
Interest expense (notes 5, 8, 9 and 10)	(1,459,073)	(1,382,227)
Revaluation of derivatives (notes 5 and 6)	(694,509)	847,089
Revaluation of warrants liability (note 7)	51,165	38,519
Gain on foreign exchange	1,367	-
Other income	13,000	-
Net loss and comprehensive loss for the year	\$ (4,076,759)	\$ (1,929,811)
Basic and diluted loss per share	\$ (1.78)	\$ (0.84)
Weighted average number of common shares outstanding	2,288,773	2,288,773

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

AVISA PHARMA INC.**Statements of Changes in Shareholders' Deficiency****(Expressed in United States Dollars)****For the years ended December 31, 2020 and 2019**

	Common Shares		Series A Preferred Shares		Series A-1 Preferred Shares		Share Premium \$	Reserve \$	Deficit \$	Total \$
	Number Outstanding	Amount \$	Number Outstanding	Amount \$	Number Outstanding	Amount \$				
Balance, December 31, 2018	2,288,773	1,333	4,172,905	2,384	2,937,001	1,678	1,675,999	179,997	(21,451,614)	(19,590,223)
Stock-based compensation	-	-	-	-	-	-	-	22,461	-	22,461
Net loss for the year	-	-	-	-	-	-	-	-	(1,929,811)	(1,929,811)
Balance, December 31, 2019	2,288,773	1,333	4,172,905	2,384	2,937,001	1,678	1,675,999	202,458	(23,381,425)	(21,497,573)
Stock-based compensation	-	-	-	-	-	-	-	100,760	-	100,760
Net loss for the year	-	-	-	-	-	-	-	-	(4,076,759)	(4,076,759)
Balance, December 31, 2020	2,288,773	1,333	4,172,905	2,384	2,937,001	1,678	1,675,999	303,218	(27,458,184)	(25,473,572)

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

AVISA PHARMA INC.
Statements of Cash Flows
(Expressed in United States Dollars)

For the years ended December 31	2020	2019
Operating activities		
Net loss for the year	\$ (4,076,759)	\$ (1,929,811)
Items not affecting cash:		
Depreciation	12,046	11,198
Accrued interest	1,457,379	1,382,091
Accretion expense	651,330	502,446
Gain on modification debt	(237,706)	-
Gain on exchange of debt	(28,125)	(37,928)
Revaluation of derivatives	694,509	(847,089)
Revaluation of warrants liability	(51,165)	(38,519)
Stock-based compensation	100,760	22,461
Forgiveness of government loan (note 9)	(82,068)	-
Change in working capital balances:		
Prepaid expenses	5,561	(3,462)
Accounts payable and accrued liabilities	630,709	(23,396)
Cash used in operating activities	(923,529)	(962,009)
Financing activities		
Issuance of convertible debt	-	315,000
Issuance of senior notes	350,000	750,000
Restricted cash from subscription receipts	1,109,123	-
Issuance of promissory notes	675,000	-
Receipt of government loan proceeds	81,468	-
Cash provided by financing activities	2,215,591	1,065,000
Inflow of cash	1,292,062	102,991
Cash, beginning of year	106,672	3,681
Cash and restricted cash, end of year	\$ 1,398,734	\$ 106,672
Supplemental cash flow information		
Interest paid	\$ 1,694	\$ 136
Income taxes paid	\$ -	\$ -
Furniture and equipment costs in accounts payable	\$ 14,239	\$ -

There were no cash investing activities during the years ended December 31, 2020 and 2019.

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

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Avisa Pharma Inc. ("Avisa" or the "Company") was incorporated under the laws of the State of New Mexico on September 23, 2010. Avisa is an innovation organization focused on commercializing pulmonary assays for the detection of infectious diseases. Avisa operates with a team of engineers and product development specialists to create and design diagnostic instruments to be manufactured and utilized by third parties. As Avisa achieves its development milestones, additional staff and facilities will be added as needed to support the commercial launch of Avisa's products.

The Company's registered and records office address and principal place of business is 1660A Old Pecos Trail, Santa Fe, New Mexico, 87505.

On June 17, 2020, the Company entered into a merger agreement (the "Agreement") with Panorama Capital Corp. ("Panorama"), which was amended on September 30, 2020, to complete a business combination transaction (the "Panorama Transaction"). Prior to the closing of the Panorama Transaction, the issued and outstanding common shares of Panorama were to be consolidated on a 2:1 basis and the issued and outstanding common and preferred shares of the Company will be split on a 1:1.75 basis.

The Company would also complete a concurrent financing for a minimum of \$1,592,176 Canadian dollars ("CAD") through the issuance of a minimum of 2,487,775 subscription receipts at a price of CAD \$0.64 per subscription receipt (the "Concurrent Financing"). The Company entered into an agreement with an agent to facilitate the Concurrent Financing. The Company was to issue the agent an option to purchase an additional number of common shares equal up to 15% of the common shares sold pursuant to the Concurrent Financing. As compensation for the agent's services, the Company was to pay the agent a cash fee equal to 8% of the gross proceeds of the Concurrent Financing, a \$120,000 corporate finance fee (payable in common shares of the resulting issuer from the Panorama Transaction) and issue compensation options equal to 8% of the common shares sold in the Concurrent Financing with an exercise price equal to the issue price in the Concurrent Financing and a term of 24 months.

On September 2, 2020, the Company completed a share split on a 1:1.75 basis. As a result, all common share, preferred share and per common and preferred share information in these financial statements have been restated to reflect the completion of the share split. The exercise price of, and the number of common shares issuable under any securities of the Company has also been proportionally adjusted.

Subsequent to December 31, 2020, the Agreement between Panorama and the Company was terminated and the Company entered into a Merger Agreement with FogChain Corp. ("FogChain") (Note 18). During the year ended December 31, 2020, the Company incurred \$687,702 in professional fees relating to the Panorama Transaction, consisting of \$168,864 in fees to the agent and \$518,838 in legal fees. These amounts were included in professional fees as the Panorama Transaction was cancelled subsequent to year-end and completion was not considered likely at December 31, 2020.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company has no operating income. As at December 31, 2020, the Company has a deficit of \$27,458,184 (2019 - \$23,381,425), and for the year then ended incurred a net loss of \$4,076,759 (2019 - \$1,929,811). Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on terms acceptable to the Company. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

At the time these financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, there may be further significantly adverse impact on the Company's financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated. Specifically, the COVID-19 pandemic has slowed the ability of the Company to efficiently fundraise from capital market participants and therefore to consummate its merger with FogChain (Note 18).

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in United States dollars, unless otherwise stated, which is the Company's functional currency.

(c) Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on May 7, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, measured at fair value through profit or loss, or measured at fair value through other comprehensive income. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Company's deposits are classified as financial assets measured at amortized cost.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statements of financial position at fair value with changes in fair value therein, recognized in profit or loss. The Company classifies cash and restricted cash as measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured at FVTOCI.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Financial assets (continued)

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's accounts payable and accrued liabilities, promissory notes, convertible debt, interest payable, senior notes, preferred shares and subscriptions received are classified as financial liabilities measured at amortized cost. The Company's convertible debt derivative, senior notes derivative and warrants liability are classified as financial liabilities at fair value through profit or loss.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's cash and restricted cash and accounts payable and accrued liabilities are financial instruments classified as Level 1 in the fair value hierarchy. Their carrying values approximate their fair values due to short-term maturity of these instruments. The Company's interest payable, convertible debt, senior notes and promissory notes are initially measured using Level 2 of the fair value hierarchy. The Company's convertible debt derivative, senior notes derivative and warrants liability are financial instruments classified as Level 3 in the fair value hierarchy. Their fair value is based on the Black-Scholes model. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Furniture and equipment

Furniture and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of furniture and equipment comprises its purchase price. The useful lives of furniture and equipment are reviewed at least once per year. When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment. Furniture and equipment are depreciated over their estimated useful lives as follows:

Furniture and fixtures	3 years
Equipment	5 years

(c) Convertible debt and senior notes

The convertible debt and senior notes are separated into their respective liability and derivative liability components on the statements of financial position. The liability component is initially recognized at fair value, calculated at the net present value of the liability based on non-compound financial liabilities issued by comparable companies and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-compound financial liabilities with similar terms at the time of issue. The derivative liability component is initially recognized at fair value, calculated using the Black-Scholes model at the date of issuance. The proceeds from issuance are then allocated to the liability and derivative liability components using the relative fair value method. Subsequently, the derivative liability component is revalued using the Black-Scholes model at each reporting period and the change in fair value is recorded in profit or loss.

(d) Warrants liability

The Company's warrants are classified as a derivative liability as they are exercisable into Series A Convertible Preferred Share which are classified as a liability and their value changes in response to the value of the Series A Convertible Preferred Shares. The warrants liability is initially recognized at fair value, calculated using the Black-Scholes model at the date of issuance. Subsequently, the warrants liability is revalued using the Black-Scholes model at each reporting period and the change in fair value is recorded in profit or loss.

(e) Preferred shares

The Company's preferred shares are classified as equity if they are non-redeemable or if they are redeemable only at the Company's option, and if any dividends are discretionary. Convertible preferred shares classified as a liability is initially recognized at fair value, calculated at the net present value of the liability based on non-compound financial liabilities issued by comparable companies and accounted for at amortized cost using the effective interest rate method. The excess of fair value of preferred shares issued over par value is included in share premium. The residual value is then allocated to the equity component.

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Common shares

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued at the fair value of the assets received or the services rendered. If the fair value of the assets received or services rendered cannot be reliably measured, common shares issued for consideration will be valued at their fair value on the date of issuance. The excess of fair value of common shares issued over par value is included in share premium. Common share issue costs are charged to share premium when the related shares are issued.

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

(g) Reserve

Reserve consists of the fair value of stock options granted since inception, less amounts transferred to common shares for the exercise of stock options. If granted options vest and then subsequently expire or are forfeited, the amount is reclassified from reserve to deficit.

(h) Stock-based compensation

The grant date fair value of stock-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For stock-based payment awards with non-vesting conditions, the grant date fair value of the stock-based compensation is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled stock-based payments are reflected in reserve, unless exercised. Upon exercise, shares are issued from treasury and the par value of the shares issued is transferred to common shares, with the excess transferred to share premium, adjusted for any consideration paid.

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical and economic feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. As at December 31, 2020, the Company has not capitalized any research and development costs. Expenses included in research and development include material costs, employee compensation, consulting, facility costs and equipment and technology costs.

(j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(k) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(m) Government assistance

Government grants that compensate the Company for expenses incurred are recognized in profit or loss, on a systematic basis in the same years in which the expenses are recognized, when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received, or the loan forgiven.

(n) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Critical accounting estimates and assumptions made by management include, but are not limited to, the following:

Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debt and senior notes. The determination of market interest rates is subjective and could materially affect the fair value estimate of the liability components and initial bifurcation of convertible debt and senior notes.

Fair value of common shares

The Company estimates a fair value of common shares by using a weighted average calculation of the market value of recently completed securities transactions and the cost of invested capital. The market value of recently completed securities transactions is estimated using the Backsolve business valuation method. The Backsolve method utilizes the Black-Scholes model. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Use of estimates and judgments (continued)

Valuation of stock-based compensation and derivatives

The Company uses the Black-Scholes model for valuation of stock-based compensation and derivatives. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and reserve.

The expected volatility assumption is based on the historical and implied volatility of comparable companies. The risk-free interest rate assumption is based on yield curves on US government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company has not paid and does not anticipate paying dividends on its common stock. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0%.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Treatment of development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any development costs as at December 31, 2020 or 2019.

Modification versus extinguishment of financial liabilities

Judgment is required in determining whether amended terms of loan agreements represent a substantial modification of an existing financial liability and whether it should be accounted for as a modification or as an extinguishment of the original financial liability.

Preferred shares

Judgment is required in determining the classification of preferred shares as either a financial liability or component of equity. As the preferred shares of the Company include a contractual obligation for the Company to redeem them for cash at the option of the shareholder and a conversion feature, the preferred shares have been allocated into liability and equity (conversion feature) components at the date of issuance.

AVISA PHARMA INC.
Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Use of estimates and judgments (continued)

Convertible instruments

The identification of convertible debt and senior notes components is based on interpretations of the substance of the contractual agreement and therefore requires judgment from management. The separation of the components affects the initial recognition of these instruments at issuance and the subsequent recognition of interest expense and accretion expense.

Treatment of deferred financing costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Management applies significant judgment to determine whether the completion of the transaction is considered likely.

Government loan

Management applied judgment in determining whether there was reasonable assurance that the requirements for loan forgiveness would be met.

4. FURNITURE AND EQUIPMENT

	Furniture		Equipment		Total
Cost					
Balance at December 31, 2019 and 2018	\$	37,509	\$	97,375	\$ 134,884
Additions for the year		-		14,239	14,239
Balance at December 31, 2020	\$	37,509	\$	111,614	\$ 149,123
Depreciation					
Balance at December 31, 2018	\$	33,529	\$	74,190	\$ 107,719
Depreciation for the year		2,320		8,878	11,198
Balance at December 31, 2019		35,849		83,068	118,917
Depreciation for the year		1,660		10,386	12,046
Balance at December 31, 2020	\$	37,509	\$	93,454	\$ 130,963
Carrying amounts					
Carrying value at December 31, 2019	\$	1,660	\$	14,307	\$ 15,967
Carrying value at December 31, 2020	\$	-	\$	18,160	\$ 18,160

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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5. CONVERTIBLE DEBT

During the year ended December 31, 2019, the Company completed a financing raising aggregate gross proceeds of \$315,000 through the issuance of convertible debt. Of this financing, \$50,000 was with a related party. No additional convertible debt was issued during the year ended December 31, 2020.

All of the Company's convertible debt issuances are unsecured and mature at the earlier of:

- (i) A Sales Transaction (defined below);
- (ii) A complete liquidation of the Company;
- (iii) Written demand by the Note Holder Committee (acting unanimously) made any time after January 31, 2021 (as amended below).

A Sales Transaction means the closing of (i) a merger of the Company or any other transaction in which at least 50% of the outstanding equity securities of the Company are not held by the equity security holders immediately prior to the transaction, or (ii) a sale or exclusive license of all or substantially all of the Company's assets.

The outstanding convertible debt is convertible into Series A-1 Convertible Preferred Shares of the Company equal to a price of \$1.3147 per share. The convertible debt is mandatorily convertible should the Company complete equity financing whereby the Company receives gross proceeds of at least \$8,000,000 (the "Qualified Financing"). Should the Company complete a Qualified Financing or non-Qualified Financing, the holder may elect for the conversion price to be equal to 50% of the price per share paid by the cash purchasers in the Qualified Financing or non-Qualified Financing.

The convertible debt is non-transferrable and bears interest of 12% per annum. Interest is payable annually, commencing in arrears on the one-year anniversary of the issuance date.

For accounting purposes, the convertible debt is a hybrid financial instrument and was allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the convertible debt, the conversion feature is accounted for as a derivative liability. The Company determined the fair value of the derivative liability using the Black-Scholes model and calculated the present value of the cash-flows, which consists of interest and principal payment, to calculate the total consideration paid for the debt component. The debt component is subsequently accreted to the face value of the convertible debenture at the effective interest rate of 18.5%. The derivative liability component is re-measured at fair value at each reporting period.

During the years ended December 31, 2020 and 2019, the Company issued convertible senior notes (note 6) with a pull-through mechanic whereby the holders of convertible debt could exchange their convertible debt for senior notes and any interest accrued on the convertible debt would be forfeited. \$65,666 (2019 - \$195,000) of convertible debt was exchanged for senior notes and a gain of \$28,125 (2019 - \$37,928) was recorded for the interest forfeited.

During the year ended December 31, 2020, the Company amended the terms of the convertible debt to extend the maturity date to September 30, 2020, then to January 31, 2021. Both of these amendments were determined to be modifications of the existing convertible debt and a gain of \$162,732 was recorded for the modification. The Company also amended the terms of the convertible debt whereby the outstanding principal balance will automatically convert into common shares of the Company immediately prior to the closing of the Merger Agreement with FogChain at a price of \$0.33 per share (Note 18). Subsequent to December 31, 2020, the maturity date of the convertible debt was extended to May 31, 2021.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
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5. CONVERTIBLE DEBT (continued)

		Liability Portion	Derivative Liability Portion	Total
Balance at December 31, 2018	\$	4,337,142	\$ 1,249,038	\$ 5,586,180
Issuance of convertible debt		253,567	61,433	315,000
Accretion expense		188,021	-	188,021
Exchange of convertible debt		(195,000)	-	(195,000)
Revaluation of derivative		-	(1,310,471)	(1,310,471)
Balance at December 31, 2019	\$	4,583,730	\$ -	\$ 4,583,730
Accretion expense		162,730	-	162,730
Gain on modification of debt		(162,732)	-	(162,732)
Revaluation of derivative		-	523,570	523,570
Exchange of convertible debt		(65,666)	-	(65,666)
Balance at December 31, 2020	\$	4,518,062	\$ 523,570	\$ 5,041,632

The fair value of the convertible debt derivative liability is estimated at the issuance date and each reporting date using the Black-Scholes model with the following inputs:

	2020		2019	
	Issuance	December 31	Issuance	December 31
Exercise price	N/A	\$1.3147	\$1.3147	\$1.3147
Share price	N/A	\$1.3147	\$1.3147	\$1.3147
Expected life (years)	N/A	0.08	0.37	0.00
Expected dividends	N/A	0%	0%	0%
Volatility rate	N/A	100%	100%	100%
Risk-free interest rate	N/A	0.08%	2.50%	1.55%
Fair value per conversion right	N/A	\$0.1523	\$0.5574	\$0.0000

During the year ended December 31, 2020, interest expense of \$744,842 (2019 – \$681,635) was incurred. As of December 31, 2020, accumulated interest on the convertible debt of \$2,401,629 (2019 - \$1,684,912) is included in interest payable.

6. SENIOR NOTES

During the year ended December 31, 2020, the Company completed a financing raising aggregate gross proceeds of \$415,666 (2019 - \$945,000) through the issuance of convertible senior notes. This amount consisted of \$350,000 (2019 - \$750,000) of cash proceeds and \$65,666 (2019 - \$195,000) of convertible debt exchanged for senior notes (note 5)

The senior notes are unsecured and mature at the earlier of:

- (i) A Sales Transaction;
- (ii) A complete liquidation of the Company;
- (iii) Written demand by the Note Holder Committee (acting unanimously) made any time after January 31, 2021 (as amended below).

AVISA PHARMA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in United States Dollars)****6. SENIOR NOTES (continued)**

The outstanding senior notes are convertible into Series A-1 Convertible Preferred Shares of the Company equal to a price of \$0.6573 per share. The senior notes are mandatorily convertible should the Company complete the Qualified Financing. Should the Company complete a Qualified Financing or non-Qualified Financing, the holder may elect for the conversion price to be equal to 50% of the price per share paid by the cash purchasers in the Qualified Financing or non-Qualified Financing.

The senior notes are non-transferrable and do not bear interest.

For accounting purposes, the senior notes are a hybrid financial instrument and were allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue, as shown in the table below. Due to the varying conversion prices of the senior notes, the conversion feature is accounted for as a derivative liability. The Company determined the fair value of the derivative liability using the Black-Scholes model and calculated the present value of the cash-flows, which consists of interest and principal payment, to calculate the total consideration paid for the debt component. The debt component is subsequently accreted to the face value of the convertible debenture at the effective interest rate of 18.5%. The derivative liability component is re-measured at fair value at each reporting period.

During the year ended December 31, 2020, the Company amended the terms of the senior notes to change the maturity date to September 30, 2020, then to January 31, 2021. Both of these amendments were determined to be modifications of the existing senior notes and a gain of \$74,974 (2019 - \$nil) was recorded for the modification. The Company also amended the terms of the senior notes whereby the outstanding principal balance will automatically convert into common shares of the Company immediately prior to the closing of the Merger Agreement with FogChain at a price of \$0.22 per share (Note 18). Subsequent to December 31, 2020, the maturity date of the senior notes was extended to May 31, 2021.

	Liability Portion	Derivative Liability Portion	Total
Balance at December 31, 2018	\$ -	\$ -	\$ -
Issuance of senior notes	435,645	509,355	945,000
Accretion expense	314,425	-	314,425
Revaluation of derivative	-	463,382	463,382
Balance at December 31, 2019	\$ 750,070	\$ 972,737	\$ 1,722,807
Issuance of senior notes	196,971	218,695	415,666
Accretion expense	488,600	-	488,600
Gain on modification of debt	(74,974)	-	(74,974)
Revaluation of derivative	-	170,939	170,939
Balance at December 31, 2020	\$ 1,360,667	\$ 1,362,371	\$ 2,723,038

The fair value of the senior notes derivative liability is estimated at the issuance date and each reporting date using the Black-Scholes model with the following inputs:

	2020		2019	
	Issuance	December 31	Issuance	December 31
Exercise price	\$0.6573	\$0.6573	\$0.6573	\$0.6573
Share price	\$1.3147	\$1.3147	\$1.3147	\$1.3147
Expected life (years)	0.59	0.08	0.84	0.25
Expected dividends	0%	0%	0%	0%
Volatility rate	100%	100%	100%	100%
Risk-free interest rate	1.42%	0.08%	2.25%	1.55%
Fair value per conversion right	\$0.7298	\$0.6582	\$0.7685	\$0.6766

AVISA PHARMA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in United States Dollars)****7. WARRANTS LIABILITY**

During the year ended December 31, 2013, the Company issued warrants to purchase Series A Convertible Preferred Shares. These warrants were issued as part of a unit consisting of four Series A Convertible Preferred Shares and one warrant. All of the subscribers to the unit issuance were unrelated parties. These warrants were classified as a derivative liability and as such are revalued at each reporting date.

		Warrants Liability
Balance at December 31, 2018	\$	420,306
Revaluation of derivative		(38,519)
Balance at December 31, 2019	\$	381,787
Revaluation of derivative		(51,165)
Balance at December 31, 2020	\$	330,622

The fair value of the warrants liability is estimated at each reporting date using the Black-Scholes model with the following inputs:

	December 31, 2020	December 31, 2019
Exercise price	\$1.2370	\$1.2370
Share price	\$1.2370	\$1.2370
Expected life (years)	2.510	3.514
Expected dividends	0%	0%
Volatility rate	100%	100%
Risk-free interest rate	0.15%	1.62%
Fair value per warrant	\$0.7082	\$0.8178

The following Series A Preferred Shares warrants are outstanding as at December 31, 2020 and 2019:

Expiry date	Number outstanding	Exercise price
March 2023	12,126	\$1.237
April 2023	238,476	\$1.237
May 2023	28,294	\$1.237
July 2023	32,335	\$1.237
November 2023	134,395	\$1.237
December 2023	21,222	\$1.237
	466,848	

During the years ended December 31, 2020 and 2019, there was no warrants activity.

AVISA PHARMA INC.
Notes to the Financial Statements
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8. PROMISSORY NOTES

During the year ended December 31, 2020, the Company raised aggregate proceeds of \$675,000 through the issuance of promissory notes to third parties. The promissory notes are unsecured, non-transferrable, bear interest at 12% per annum, and are due September 30, 2022.

As at December 31, 2020, \$9,561 (2019 - \$nil) of interest has been accrued.

9. GOVERNMENT LOAN

During the year ended December 31, 2020, the Company received \$81,468 in financing in the form of a promissory note (the "Note") from the United States Federal Government through the Paycheck Protection Program (the "PPP"). The repayment of interest of the Note shall be through monthly installments beginning on October 11, 2020 through April 11, 2022. The principal will become due April 11, 2022. The Note may be prepaid at any time without penalty. The Note carries interest at 1% per annum, which increases to a rate of 18% per annum in the event of default. The Note will be forgiven if at least 75% of the proceeds are used for payroll costs, and the remaining 25% are used for payroll costs, interest on mortgages, rent, or utilities.

In October 2020, the Company received approval from the lender of the Note to submit for loan forgiveness by the United States Federal Government which was approved in January 2021. As such, management determined that there was reasonable assurance the requirements for loan forgiveness had been met at December 31, 2020 and recorded loan forgiveness of \$82,068, which includes accrued interest of \$600. This amount is offset against salary and benefit expenses.

10. COMMON AND PREFERRED SHARES

(a) Authorized

The Company is authorized within the limitations and restrictions stated in the Amended and Restated Articles of Incorporation to provide by resolution for the issuance of the following:

- (i) 63,000,000 shares of common share, par value of \$0.001 per share.
- (ii) 4,500,000 shares of Series A Convertible Preferred Share, par value of \$0.001 per share.
- (iii) 3,000,000 shares of Series A-1 Convertible Preferred Share, par value of \$0.001 per share.

(b) Common shares

During the year ended December 31, 2020, the Company completed the first tranche of a private placement totaling 2,206,525 subscription receipts at a price of \$0.64 CAD per subscription receipt for gross proceeds of \$1,412,176 CAD (\$1,109,123). Each subscription receipt entitles the holder to receive, for no additional consideration, one common share of the Company upon satisfaction of certain conditions pursuant to the Proposed Transaction.

As at December 31, 2020, the conditions were not met. As such, no subscription receipts were converted to common shares. Proceeds from the private placement are held in escrow until the closing of the Proposed Transaction and recorded as restricted cash at December 31, 2020. Subsequent to December 31, 2020, the Proposed Transaction was terminated and the subscription receipts were returned to investors. The Company recovered \$59,378 of related financing fees from the agent and the remaining \$109,486 (\$139,398 CAD) was paid by the agent in exchange for a non-interest bearing promissory note due on or before the earlier of: (i) January 19, 2022; and 30 business days from the date the Company raises aggregate gross proceeds from financing of \$500,000 CAD.

During the year ended December 31, 2019, there was no common share activity.

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

10. COMMON AND PREFERRED SHARES (continued)

(b) Common shares (continued)

In January 2020, the Company entered a share subscription facility agreement (the "Agreement") with GEM Global Yield LLC SCS and GEM Yield Bahamas Ltd. (together "GEM"). The Agreement grants the Company the right to require GEM to purchase common shares of the Company in an aggregate of \$51,000,000 CAD in the event that the Company becomes listed on any nationally recognized stock exchange or completes a reverse takeover transaction.

(c) Preferred shares

Series A Convertible Preferred Shares

The Series A Convertible Preferred Shares ("Series A Preferred Share") are convertible into common shares of the Company at a conversion price of \$1.237 per share. Each Series A Preferred Share is convertible at the option of the shareholder at any time. All Series A Preferred Shares are automatically convertible upon a majority vote from all Series A Preferred Shareholders and Series A-1 Convertible Preferred Shareholders (together the "Designated Preferred Shareholders") or upon the closing of the sale of common shares in a public offering whereby the share price is at least five times the Series A Preferred Share original issue price of \$1.237 per share (the "Public Offering").

The Series A Preferred Shares are redeemable following a majority vote of the Designated Preferred Shareholders at any time after March 29, 2018 at a price equal to the greater of (i) the original issue price of \$1.237 per share, and (ii) the fair market value to be determined by a third-party appraiser.

Each Series A Preferred Share has the same voting right as common shares and entitle the holder to the number of votes equal to the number of common shares that would be received upon conversion.

Each issued and outstanding Series A Preferred Share entitles the holder of record to receive dividends at the annual rate of 8% of its original issue price. Such dividends are accrued day-to-day but shall only be payable when and if declared by the Board of Directors and the Company is under no obligation to pay such accrued dividends until declared.

Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the Designated Preferred Shareholders shall be entitled to receive an amount of cash equal to the sum of the original issuance price and any dividends declared but unpaid prior to any distribution of assets to common shareholders (the "Liquidation Amount").

Following the payment of the Liquidation Amount, the remaining assets of the Company shall be distributed rateably among the common shareholders and Designated Preferred Shareholders.

During the years ended December 31, 2020 and 2019, there was no Series A Preferred Share activity.

Series A-1 Convertible Preferred Share

The Series A-1 Convertible Preferred Share ("Series A-1 Preferred Share") are convertible into common shares of the Company at a conversion price of \$1.3147 per share. Each Series A-1 Preferred Share is convertible at the option of the shareholder at any time. All Series A-1 Preferred Shares are automatically convertible upon a majority vote from the Designated Preferred Shareholders or upon the closing of the Public Offering.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in United States Dollars)

10. COMMON AND PREFERRED SHARES (continued)

(c) Preferred shares (continued)

The Series A-1 Preferred Shares are redeemable following a majority vote of the Designated Preferred Shareholders at any time after March 29, 2018 at a price equal to the greater of (i) the original issue price of \$1.3147, and (ii) the fair market value to be determined by a third-party appraiser.

Each Series A-1 Preferred Share has the same voting right as common shares and shall entitle the holder to the number of votes equal to the number of common shares that would be received upon conversion.

Each issued and outstanding share of Series A-1 Preferred Share entitles the holder of record to receive dividends at the annual rate of 8% of its original issue price. Such dividends are accrued day-to-day but shall only be payable when and if declared by the Board of Directors and the Company is under no obligation to pay such accrued dividends until declared.

Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the Designated Preferred Shareholders shall be entitled to the Liquidation Amount.

Following the payment of the Liquidation Amount, the remaining assets of the Company shall be distributed rateably among the common shareholders and Designated Preferred Shareholders.

During the years ended December 31, 2020 and 2019, there was no Series A-1 Preferred Share activity.

The following is a reconciliation of the Preferred Share Liability for both Series A and A-1 Preferred Share for the years ended December 31, 2020 and 2019:

Preferred Share Liability		
Balance at December 31, 2018	\$	12,301,510
Interest expense		700,456
Balance at December 31, 2019	\$	13,001,966
Interest expense		702,376
Balance at December 31, 2020	\$	13,704,342

AVISA PHARMA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in United States Dollars)****11. STOCK-BASED COMPENSATION**

The Company adopted a stock option plan (the "Plan") to grant stock options to directors, employees and consultants of the Company. The aggregate number of shares of common share that may be issued pursuant to the Plan is limited to 2,537,500. The stock option exercise price shall not be less than the fair market value per share of common share on the grant date of the option. No stock option shall have a term in excess of ten years.

A summary of the Company's stock option activity is presented below:

	Number	Weighted Average Exercise Price
Balance at December 31, 2018	1,395,896	\$0.40
Granted	70,000	\$0.32
Balance at December 31, 2019	1,465,896	\$0.40
Granted	757,750	\$0.32
Balance at December 31, 2020	2,223,646	\$0.37

During the year ended December 31, 2020, the Company granted 757,750 stock options to directors, officers and consultants of the Company. The stock options permit each individual to purchase common shares of the Company at an exercise price of \$0.32. The stock options vest at various rates between immediate vesting and four years. The stock options expire ten years after the date of grant.

On November 13, 2019, the Company granted 70,000 stock options to an employee of the Company. These stock options vest 2.08% per month over 48 months. These stock options have an exercise price of \$0.32 and expire on November 12, 2029.

The following are the outstanding stock options as of December 31, 2020:

Expiry date	Number outstanding	Exercise price	Contractual remaining life in years	Number exercisable
July 24, 2023	6,396	\$0.06	2.56	6,396
July 24, 2023	316,750	\$0.43	2.56	316,750
July 25, 2023	52,500	\$0.43	2.56	52,500
January 16, 2024	52,500	\$0.43	3.04	52,500
May 14, 2024	70,000	\$0.43	3.37	70,000
October 15, 2024	350,000	\$0.43	3.79	350,000
January 22, 2025	131,250	\$0.32	4.06	131,250
January 22, 2025	109,375	\$0.43	4.06	109,375
April 22, 2025	13,125	\$0.43	4.31	13,125
October 25, 2025	5,250	\$0.43	4.82	5,250
February 18, 2026	96,250	\$0.43	5.14	96,250
December 13, 2027	192,500	\$0.32	6.95	144,375
November 12, 2029	70,000	\$0.32	8.87	18,958
April 10, 2030	525,000	\$0.32	9.28	58,333
April 16, 2030	14,000	\$0.32	9.30	7,000
June 4, 2030	218,750	\$0.32	9.43	-
	2,223,646			1,432,062

AVISA PHARMA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in United States Dollars)****11. STOCK-BASED COMPENSATION (continued)**

The following are the outstanding stock options as at December 31, 2019:

Expiry date	Number outstanding	Exercise price	Contractual remaining life in years	Number exercisable
July 24, 2023	6,396	\$0.06	3.56	6,396
July 24, 2023	316,750	\$0.43	3.56	316,750
July 25, 2023	52,500	\$0.43	3.57	52,500
January 16, 2024	52,500	\$0.43	4.05	52,500
May 14, 2024	70,000	\$0.43	4.37	70,000
October 15, 2024	350,000	\$0.43	4.79	350,000
January 22, 2025	131,250	\$0.32	5.07	76,125
January 22, 2025	109,375	\$0.43	5.07	109,375
April 22, 2025	13,125	\$0.43	5.31	13,125
October 25, 2025	5,250	\$0.43	5.82	5,250
February 18, 2026	96,250	\$0.43	6.14	72,188
December 13, 2027	192,500	\$0.32	7.96	96,250
November 12, 2029	70,000	\$0.32	9.87	2,917
	1,465,896			1,223,376

The weighted average contractual life for the outstanding options at December 31, 2020 is 5.96 years (2019 – 5.23). The weighted average contractual life for the exercisable options at December 31, 2020 is 4.20 years (2019 – 4.75).

During the year ended December 31, 2020, total stock-based compensation expense recognized was \$100,760 (2019 - \$22,461). This amount was recognized in relation to the vesting of options granted during the period and previously granted stock options. This amount was credited to reserve.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes model with the following weighted average inputs:

	2020	2019
Exercise price	\$0.32	\$0.32
Share price	\$0.32	\$0.32
Expected life (years)	10	10
Expected dividends	0%	0%
Volatility rate	100%	100%
Risk-free interest rate	0.41%	1.88%
Fair value per option	\$0.29	\$0.30

12. RESEARCH AND DEVELOPMENT

During the years ended December 31, 2020 and 2019, research and development expenses related to one product, the Avisia BreathTest.

AVISA PHARMA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in United States Dollars)****13. RELATED PARTY TRANSACTIONS**

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the years ended December 31, 2020 and 2019, remuneration of key management was as follows:

	2020	2019
Salary	\$ 276,247	\$ 323,700
Consulting fees	-	106,056
Stock-based compensation	56,444	1,373
	\$ 332,691	\$ 431,129

As at December 31, 2020, accounts payable and accrued liabilities included \$76,036 (2019 - \$71,694) payable to key management personnel. Amounts due to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

As at December 31, 2020, convertible debt of \$199,026 (2019 – \$199,026) and interest payable of \$109,072 (2019 - \$75,981) is payable to key management personnel.

14. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the United States statutory income tax rate of 21% (2019 – 21%) to income before income taxes.

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

	2020	2019
Net loss for the year	\$ (4,076,759)	\$ (1,929,811)
Statutory income tax rate	21%	21%
Income tax benefit computed at statutory tax rate	\$ (856,119)	\$ (405,260)
Items not deductible for tax purposes	21,310	5,911
Under (over) provided in prior years	7,746	-
Origination and reversal of temporary differences	252,752	139,130
Unused tax losses and tax offsets not recognized	574,311	260,219
Income tax recovery	\$ -	\$ -

AVISA PHARMA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(Expressed in United States Dollars)****14. INCOME TAXES (continued)**

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2020 and 2019 is as follows:

	2020	2019
Deferred income tax assets		
Non-capital losses	\$ 270,932	\$ 200,707
Deferred income tax liabilities		
Convertible debt	(159,772)	(159,772)
Senior notes	(111,160)	(40,935)
Deferred income tax liabilities, net	\$ -	\$ -

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2020 and 2019, the Company has not recognized the benefit of the following deductible temporary differences:

	2020	2019
Non-capital loss carry forward	\$ 16,535,972	\$ 14,663,195
Preferred shares	\$ 3,545,807	\$ 3,545,807
Contributions	\$ 505	\$ 505

As at December 31, 2020, the Company has \$17,826,120 (2019 - \$15,618,941) in estimated non-capital losses for United States income tax purposes that may be carried forward to reduce taxable income derived in future years. \$12,128,988 of the non-capital losses expire in 2030 to 2037. The remaining \$5,697,132 of non-capital losses were incurred from January 1, 2018 onwards have no date of expiry.

15. RISK MANAGEMENT**(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash and restricted cash. The Company is not exposed to significant credit risk as its cash and restricted cash is placed with major financial institutions in Canada and the United States.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

As at December 31, 2020, the Company had a cash balance of \$438,840 (2019 - \$106,672) available to apply against short-term business requirements and current liabilities of \$26,215,196 (2019 - \$21,635,064). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2020. Convertible debt, senior notes and interest payable are due January 31, 2021 and amount approximates fair value. Promissory notes are due September 30, 2022.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in United States Dollars)

15. RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and restricted cash is at nominal interest rates. As at December 31, 2020 and 2019, the interest rate on the convertible debt balances and promissory notes have fixed interest rates and the senior notes are non-interest bearing. Therefore, the Company does not consider interest rate risk to be significant.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

16. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of convertible debt, senior notes and promissory notes. The Company is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' deficiency. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. The Company did not change its approach to capital management during the year ended December 31, 2020 or 2019.

17. SEGMENTED INFORMATION

The Company has one operating segment, technology development. All assets of the Company are located in the United States of America.

AVISA PHARMA INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in United States Dollars)

18. EVENTS AFTER THE REPORTING DATE

Subsequent events not disclosed elsewhere in the financial statements include:

- 1) The Company completed a reverse takeover with FogChain. In accordance with the merger agreement and plan of reorganization dated February 1, 2021 (the "Merger Agreement"), which superseded and replaced the previously announced Letter of Intent dated January 12, 2021, the transaction was effected by way of a triangular merger between the Company, FogChain, and a wholly owned Delaware subsidiary of FogChain ("Subco") pursuant to the laws of the State of Delaware (the "Transaction"). The combined public company resulting from the Transaction (the "Resulting Issuer") will carry on the business of the Company.

Immediately prior to the closing of the Transaction, all of the outstanding convertible debt, interest payable, senior notes and preferred shares were converted into common shares of the Company.

In conjunction with the Transaction, the Company raised gross proceeds of \$693,336 in a private placement financing (the "Private Placement") of subscription receipts (the "Subscription Receipts"). Pursuant to the Merger Agreement, the Subscription Receipts were converted into 1,540,741 Common Shares upon closing of the Transaction.

Pursuant to the Merger Agreement, all of the Company's options and warrants were exchanged for options and warrants of the Resulting Issuer.

- 2) On January 22, 2021, the promissory notes were amended whereby 143,326 warrants were granted immediately prior to the closing of the Transaction. The warrants are exercisable into common shares of the Resulting Issuer at \$0.45 per share until September 30, 2022.

AVISA PHARMA INC.

Financial Statements

**For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AVISA PHARMA INC.

Opinion

We have audited the financial statements of Avisa Pharma Inc. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2019, December 31, 2018 and January 1, 2018;
- the statements of loss and comprehensive loss for the years ended December 31, 2019 and 2018;
- the statements of changes in shareholders' deficiency for the years ended December 31, 2019 and 2018;
- the statements of cash flows for the years ended December 31, 2019 and 2018; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, December 31, 2018 and January 1, 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has a deficit of \$23,381,425 as at December 31, 2019, and for the year then ended incurred a net loss of \$1,929,811. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 4, 2020

AVISA PHARMA INC.
Statements of Financial Position
(Expressed in United States Dollars)

As at	December 31, 2019	December 31, 2018	January 1, 2018 (Note 4)
Assets			
Current			
Cash	\$ 106,672	\$ 3,681	\$ 307,646
Prepaid expenses	11,324	7,862	16,752
	117,996	11,543	324,398
Furniture and equipment (note 5)	15,967	27,165	40,605
Deposits	3,528	3,528	3,528
	\$ 137,491	\$ 42,236	\$ 368,531
Liabilities and shareholders' deficiency			
Liabilities			
Current			
Accounts payable and accrued liabilities (note 12)	\$ 259,862	\$ 283,258	\$ 259,577
Convertible debt (notes 6 and 12)	4,583,730	4,337,142	2,487,169
Interest payable (notes 6 and 12)	1,684,912	1,041,205	509,202
Convertible debt derivative (note 6)	-	1,249,038	957,561
Senior notes (note 7)	750,070	-	-
Senior notes derivative (note 7)	972,737	-	-
Warrants liability (note 8)	381,787	420,306	446,883
Preferred shares (note 9)	13,001,966	12,301,510	11,292,185
	21,635,064	19,632,459	15,952,577
Shareholders' deficiency			
Common shares (note 9)	1,333	1,333	1,265
Series A preferred shares (note 9)	2,384	2,384	2,384
Series A-1 preferred shares (note 9)	1,678	1,678	1,678
Share premium (note 9)	1,675,999	1,675,999	1,637,741
Reserve (note 10)	202,458	179,997	136,989
Deficit	(23,381,425)	(21,451,614)	(17,364,103)
	(21,497,573)	(19,590,223)	(15,584,046)
	\$ 137,491	\$ 42,236	\$ 368,531

Approved on behalf of the Board:

"David Joseph" (signed)

"William Miller" (signed)

Director

Director

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

AVISA PHARMA INC.
Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)

For the years ended December 31	2019	2018
Operating expenses		
Consulting fees (note 12)	\$ 127,804	\$ 357,677
Depreciation (note 5)	11,198	13,440
General and administrative	133,114	154,288
Professional fees	66,627	47,774
Research and development (note 11)	72,225	175,452
Salary and benefits (note 12)	469,145	595,810
Stock-based compensation (notes 10 and 12)	22,461	43,008
Travel	66,100	59,390
	(968,674)	(1,446,839)
Other items		
Accretion expense (notes 6, 7 and 9)	(502,446)	(1,560,183)
Gain on modification of convertible debt (note 6)	-	202,823
Gain on exchange of debt (note 6)	37,928	-
Interest expense (notes 6 and 9)	(1,382,227)	(1,235,930)
Revaluation of derivatives (note 6 and 7)	847,089	(73,959)
Revaluation of warrants liability (note 8)	38,519	26,577
Net loss and comprehensive loss for the year	\$ (1,929,811)	\$ (4,087,511)
Basic and diluted loss per share	\$ (1.48)	\$ (3.20)
Weighted average number of common shares outstanding	1,307,870	1,277,494

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

AVISA PHARMA INC.
Statements of Changes in Shareholders' Deficiency
(Expressed in United States Dollars)
For the years ended December 31, 2019 and 2018

	Common Shares		Series A Preferred Shares		Series A-1 Preferred Shares		Share Premium \$	Reserve \$	Deficit \$	Total \$
	Number Outstanding	Amount \$	Number Outstanding	Amount \$	Number Outstanding	Amount \$				
Balance, January 1, 2018	1,239,430	1,265	2,384,517	2,384	1,678,286	1,678	1,637,741	136,989	(17,364,103)	(15,584,046)
Shares issued for services	68,440	68	-	-	-	-	38,258	-	-	38,326
Stock-based compensation	-	-	-	-	-	-	-	43,008	-	43,008
Net loss for the year	-	-	-	-	-	-	-	-	(4,087,511)	(4,087,511)
Balance, December 31, 2018	1,307,870	1,333	2,384,517	2,384	1,678,286	1,678	1,675,999	179,997	(21,451,614)	(19,590,223)
Stock-based compensation	-	-	-	-	-	-	-	22,461	-	22,461
Net loss for the year	-	-	-	-	-	-	-	-	(1,929,811)	(1,929,811)
Balance, December 31, 2019	1,307,870	1,333	2,384,517	2,384	1,678,286	1,678	1,675,999	202,458	(23,381,425)	(21,497,573)

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

AVISA PHARMA INC.
Statements of Cash Flows
(Expressed in United States Dollars)

For the years ended December 31	2019	2018
Operating activities		
Net loss for the year	\$ (1,929,811)	\$ (4,087,511)
Items not affecting cash:		
Depreciation	11,198	13,440
Accrued interest	1,382,091	1,232,459
Accretion expense	502,446	1,560,183
Gain on modification of convertible debt	-	(202,823)
Gain on exchange of debt	(37,928)	-
Revaluation of derivatives	(847,089)	73,959
Revaluation of warrants liability	(38,519)	(26,577)
Shares issued for services (note 9)	-	38,326
Stock-based compensation	22,461	43,008
Change in working capital balances:		
Prepaid expenses	(3,462)	8,890
Accounts payable and accrued liabilities	(23,396)	23,681
Cash used in operating activities	(962,009)	(1,322,965)
Financing activities		
Issuance of convertible debt	315,000	1,019,000
Issuance of senior notes	750,000	-
Cash provided by financing activities	1,065,000	1,019,000
Inflow (outflow) of cash	102,991	(303,965)
Cash, beginning of year	3,681	307,646
Cash, end of year	\$ 106,672	\$ 3,681
Supplemental cash flow information		
Interest paid	\$ 136	\$ 3,471
Taxes paid	\$ -	\$ -

There were no cash investing activities during the years ended December 31, 2019 and 2018.

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

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
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1. NATURE OF OPERATIONS AND GOING CONCERN

Avisa Pharma Inc. ("Avisa" or the "Company") was incorporated under the laws of the State of New Mexico on September 23, 2010. Avisa is an innovation organization focused on commercializing pulmonary assays for the detection of infectious diseases. Avisa operates with a team of engineers and product development specialists to create and design diagnostic instruments to be manufactured and utilized by third parties. This development staff is led and supported by an experienced executive team. As Avisa achieves its development milestones, additional staff and facilities will be added as needed to support the commercial launch of Avisa's products.

The Company's registered and records office address and principal place of business is 1660A Old Pecos Trail, Santa Fe, New Mexico, 87505.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company has no operating income. As at December 31, 2019, the Company has a deficit of \$23,381,425 (December 31, 2018 - \$21,451,614; January 1, 2018 - \$17,364,103), and for the year then ended incurred a net loss of \$1,929,811 (2018 - \$4,087,511). Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

These financial statements represent the Company's initial presentation of its operating results and financial position under IFRS and, accordingly, the Company has applied IFRS 1 *First Time Adoption of International Financial Reporting Standards* (note 4).

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in United States dollars, which is the Company's functional currency.

(c) Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on June 4, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, measured at fair value through profit or loss, or measured at fair value through other comprehensive income. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Company's deposits are classified as financial assets measured at amortized cost.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statements of financial position at fair value with changes in fair value therein, recognized profit or loss. The Company classifies cash as measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured at FVTOCI.

AVISA PHARMA INC.
Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Financial assets (continued)

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's accounts payable and accrued liabilities, convertible debt, interest payable, senior notes, and preferred shares are classified as financial liabilities measured at amortized cost. The Company's convertible debt derivative, senior notes derivative and warrants liability are classified as financial liabilities at fair value through profit or loss.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's cash and accounts payable are financial instruments classified as Level 1 in the fair value hierarchy. Their carrying values approximate their fair values due to short-term maturity of these instruments. The Company's convertible debt derivative, senior notes derivative and warrants liability are financial instruments classified as Level 3 in the fair value hierarchy. Their fair value is based on the Black-Scholes model. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

AVISA PHARMA INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Furniture and equipment

Furniture and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of furniture and equipment comprises its purchase price. The useful lives of furniture and equipment are reviewed at least once per year. When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment. Furniture and equipment are depreciated over their estimated useful lives as follows:

Furniture and fixtures	3 years
Equipment	5 years

(c) Convertible debt and senior notes

The convertible debt and senior notes are separated into their respective liability and derivative liability components on the statements of financial position. The liability component is initially recognized at fair value, calculated at the net present value of the liability based on non-compound financial liabilities issued by comparable companies and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-compound financial liabilities with similar terms at the time of issue. The derivative liability component is initially recognized at fair value, calculated using the Black-Scholes model at the date of issuance. The proceeds from issuance are then allocated to the liability and derivative liability components using the relative fair value method. Subsequently, the derivative liability component is revalued using the Black-Scholes model at each reporting period and the change in fair value is recorded in profit or loss.

(d) Warrants liability

The Company's warrants are classified as a derivative liability as they are exercisable into Series A Convertible Preferred Share which are classified as a liability and their value changes in response to an underlying, being the value of the Series A Convertible Preferred Shares. The warrants liability is initially recognized at fair value, calculated using the Black-Scholes model at the date of issuance. Subsequently, the warrants liability is revalued using the Black-Scholes model at each reporting period and the change in fair value is recorded in profit or loss.

(e) Preferred shares

The Company's preferred shares are classified as equity if they are non-redeemable or if they are redeemable only at the Company's option and if any dividends are discretionary. Convertible preferred shares classified as a liability is initially recognized at fair value, calculated at the net present value of the liability based on non-compound financial liabilities issued by comparable companies and accounted for at amortized cost using the effective interest rate method. The excess of fair value of preferred shares issued over par value is included in share premium. The residual value is then allocated to the equity component.

(f) Common shares

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued at the fair value of the assets received or the services rendered. If the fair value of the assets received or services rendered cannot be reliably measured, common shares issued for consideration will be valued at their fair value on the date of issuance. The excess of fair value of common shares issued over par value is included in share premium. Common share issue costs are charged to share premium when the related shares are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Reserve

Reserve consists of the fair value of stock options granted since inception, less amounts transferred to common shares for the exercise of stock options. If granted options vest and then subsequently expire or are forfeited, the amount is reclassified from reserve to deficit.

(h) Stock-based compensation

The grant date fair value of stock-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For stock-based payment awards with non-vesting conditions, the grant date fair value of the stock-based compensation is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled stock-based payments are reflected in reserve, unless exercised. Upon exercise, shares are issued from treasury and the par value of the shares issued is transferred to common shares, with the excess transferred to share premium, adjusted for any consideration paid.

(i) Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical and economic feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. As at December 31, 2019, the Company has not capitalized any research and development costs. Expenses included in research and development include material costs, employee compensation, consulting, facility costs and equipment and technology costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(k) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(l) Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Critical accounting estimates and assumptions made by management include, but are not limited to, the following:

Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debt and senior notes. The determination of market interest rates is subjective and could materially affect the fair value estimate.

Valuation of stock-based compensation and derivatives

The Company uses the Black-Scholes model for valuation of stock-based compensation and derivatives. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and reserve.

Useful lives of furniture and equipment

Depreciation is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of any limits to use. A change in the useful life or residual value will impact the reported carrying value of the fixed assets resulting in a change in related depreciation expense. Maintenance and repairs are included in profit or loss in the period incurred.

Fair value of common shares

The Company estimates a fair value of common shares by using a weighted average calculation of the market value of recently completed securities transactions and the cost of invested capital. The market value of recently completed securities transactions is estimated using the Backsolve business valuation method. The Backsolve method utilizes the Black-Scholes model. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Use of estimates and judgments (continued)

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Treatment of development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any development costs as at December 31, 2019 or 2018.

Recoverability of deferred tax assets

The measurement of deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

Modification versus extinguishment of financial liabilities

Judgement is required in determining whether amended terms of loan agreements represent a substantial modification of an existing financial liability and whether it should be accounted for as a modification or as an extinguishment of the original financial liability.

Preferred shares

Judgement is required in determining the classification of preferred shares as either a financial liability or component of equity. As the preferred shares of the Company include a contractual obligation for the Company to redeem them for cash at the option of the shareholder and a conversion feature, the preferred shares have been allocated into liability and equity (conversion feature) components at the date of issuance.

Convertible instruments

The identification of convertible debt and senior notes components is based on interpretations of the substance of the contractual agreement and therefore requires judgment from management. The separation of the components affects the initial recognition of these instruments at issuance and the subsequent recognition of interest expense and accretion expense.

AVISA PHARMA INC.
Notes to the Financial Statements
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4. FIRST TIME ADOPTION OF IFRS

The Company's financial statements for the years ended December 31, 2019 and 2018 are the first annual financial statements prepared in accordance with IFRS. IFRS 1 First Time Adoption of International Financial Reporting Standards ("IFRS 1"), requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2018 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2019. However, it also provides for certain optional exemptions and certain mandatory exceptions for the first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from US GAAP to IFRS.

- (i) Stock-based Payments Transactions – The Company elected not to retrospectively apply IFRS 2 Share-based Payments to equity instruments that were granted and fully vested before the Transition Date.
- (ii) Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the Company under US GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliation of US GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, loss and comprehensive loss and cash flows for prior periods. As this is the first set of financial statements presented, all periods are prepared in accordance with IFRS and there are no changes to its accounting policies. Therefore, no reconciliations are required.

5. FURNITURE AND EQUIPMENT

	Furniture	Equipment	Total
Cost			
Balance at December 31, 2019, December 31, 2018 and January 1, 2018	\$ 37,509	\$ 97,375	\$ 134,884
Depreciation			
Balance at January 1, 2018	\$ 29,956	\$ 64,323	\$ 94,279
Depreciation for the year	3,573	9,867	13,440
Balance at December 31, 2018	33,529	74,190	107,719
Depreciation for the year	2,320	8,878	11,198
Balance at December 31, 2019	\$ 35,849	\$ 83,068	\$ 118,917
Carrying amounts			
Carrying value at January 1, 2018	\$ 7,553	\$ 33,052	\$ 40,605
Carrying value at December 31, 2018	\$ 3,980	\$ 23,185	\$ 27,165
Carrying value at December 31, 2019	\$ 1,660	\$ 14,307	\$ 15,967

AVISA PHARMA INC.
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6. CONVERTIBLE DEBT

During the year ended December 31, 2019, the Company completed a financing raising aggregate gross proceeds of \$315,000 (2018 - \$1,019,000) through the issuance of convertible debt. Of this financing, \$50,000 (2018 - \$nil) was with a related party.

All of the Company's convertible debt issuances are unsecured and mature at the earlier of:

- (i) A Sales Transaction (defined below);
- (ii) A complete liquidation of the Company;
- (iii) Written demand by the Note Holder Committee (acting unanimously) made any time after June 30, 2019 (as amended below). This maturity date was subsequently amended to September 30, 2020 (note 17).

A Sales Transaction means the closing of (i) a merger of the Company or any other transaction in which at least 50% of the outstanding equity securities of the Company are not held by the equity security holders immediately prior to the transaction, or (ii) a sale or exclusive license of all or substantially all of the Company's assets.

The outstanding convertible debt is convertible into Series A-1 Convertible Preferred Shares of the Company equal to a price of \$2.3007 per share. The convertible debt is mandatorily convertible should the Company complete equity financing whereby the Company receives gross proceeds of at least \$8,000,000 (the "Qualified Financing"). Should the Company complete a Qualified Financing or non-Qualified Financing, the holder may elect for the conversion price to be equal to 50% of the price per share paid by the cash purchasers in the Qualified Financing or non-Qualified Financing.

The convertible debt is non-transferrable and bears interest of 12% per annum. Interest is payable annually, commencing in arrears on the one-year anniversary of the issuance date.

For accounting purposes, the convertible debt is a hybrid financial instrument and was allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the convertible debt, the conversion feature is accounted for as a derivative liability. The Company determined the fair value of the derivative liability using the Black-Scholes model and calculated the present value of the cash-flows, which consists of interest and principal payment, to calculate the total consideration paid for the debt component. The debt component is subsequently accreted to the face value of the convertible debenture at the effective interest rate of 18.5%. The derivative liability component is re-measured at fair value at each reporting period.

During the year ended December 31, 2019, the Company issued convertible senior notes (note 7) with a pull-through mechanic whereby the holders of convertible debt could exchange their convertible debt for senior notes and any interest accrued on the convertible debt would be forfeited. \$195,000 of convertible debt was exchanged for senior notes and a gain of \$37,928 was recorded for the interest forfeited.

During the year ended December 31, 2018, the Company amended the terms of the convertible debt to extend the maturity date to December 31, 2018 and then June 30, 2019. Both of these amendments were determined to be modifications of the existing convertible debt and a gain of \$202,823 was recorded for the modification.

AVISA PHARMA INC.
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6. CONVERTIBLE DEBT (continued)

		Liability Portion	Derivative Liability Portion	Total
Balance at January 1, 2018	\$	2,487,169	\$ 957,561	\$ 3,444,730
Issuance of convertible debt		801,482	217,518	1,019,000
Accretion expense		1,251,314	-	1,251,314
Gain on modification		(202,823)	-	(202,823)
Revaluation of derivative		-	73,959	73,959
Balance at December 31, 2018		4,337,142	1,249,038	5,586,180
Issuance of convertible debt		253,567	61,433	315,000
Accretion expense		188,021	-	188,021
Exchange of convertible debt		(195,000)	-	(195,000)
Revaluation of derivative		-	(1,310,471)	(1,310,471)
Balance at December 31, 2019	\$	4,583,730	\$ -	\$ 4,583,730

The fair value of the convertible debt derivative liability is estimated at the issuance date and each reporting date using the Black-Scholes model with the following inputs:

	2019		2018	
	Issuance	December 31	Issuance	December 31
Exercise price	\$2.3007	\$2.3007	\$2.3007	\$2.3007
Share price	\$2.3007	\$2.3007	\$2.3007	\$2.3007
Expected life (years)	0.37	0.00	0.47	0.50
Expected dividends	0%	0%	0%	0%
Volatility rate	100%	100%	100%	100%
Risk-free interest rate	2.50%	1.55%	2.16%	2.56%
Fair value per conversion right	\$0.5574	\$0.0000	\$0.6244	\$0.6438

During the year ended December 31, 2019, interest expense of \$681,635 (2018 – \$523,003) was incurred. As of December 31, 2019, accumulated interest on the convertible debt is \$1,684,912 (December 31, 2018 - \$1,041,205; January 1, 2018 - \$509,202) is included in interest payable.

As at December 31, 2019, the convertible debt is due on demand. As such, the convertible debt has been fully accreted to its principal value and the derivative liability portion has a value of \$nil.

7. SENIOR NOTES

On May 29, 2019, the Company completed a financing raising aggregate gross proceeds of \$945,000 through the issuance of convertible senior notes. This amount consisted of \$750,000 of cash proceeds and \$195,000 of convertible debt exchanged for senior notes (Note 6)

The senior notes are unsecured and mature at the earlier of:

- (i) A Sales Transaction;
- (ii) A complete liquidation of the Company;
- (iii) Written demand by the Note Holder Committee (acting unanimously) made any time after the one-year anniversary of the issuance date. This maturity date was subsequently amended to September 30, 2020 (note 17).

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7. SENIOR NOTES (continued)

The outstanding senior notes are convertible into Series A-1 Convertible Preferred Shares of the Company equal to a price of \$1.15035 per share. The senior notes are mandatorily convertible should the Company complete the Qualified Financing. Should the Company complete a Qualified Financing or non-Qualified Financing, the holder may elect for the conversion price to be equal to 50% of the price per share paid by the cash purchasers in the Qualified Financing or non-Qualified Financing.

The senior notes are non-transferrable and do not bear interest.

For accounting purposes, the senior notes are a hybrid financial instrument and was allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. Due to the varying conversion prices of the senior notes, the conversion feature is accounted for as a derivative liability. The Company determined the fair value of the derivative liability using the Black-Scholes model and calculated the present value of the cash-flows, which consists of interest and principal payment, to calculate the total consideration paid for the debt component. The debt component is subsequently accreted to the face value of the convertible debenture at the effective interest rate of 18.5%. The derivative liability component is re-measured at fair value at each reporting period.

	Liability Portion		Derivative Liability Portion		Total
Balance at December 31, 2018	\$	-	\$	-	\$ -
Issuance of senior notes		435,645		509,355	945,000
Accretion expense		314,425		-	314,425
Revaluation of derivative		-		463,382	463,382
Balance at December 31, 2019	\$	750,070	\$	972,737	\$ 1,722,807

The fair value of the senior notes derivative liability is estimated at the issuance date and each reporting date using the Black-Scholes model with the following inputs:

	2019	
	Issuance	December 31
Exercise price	\$1.1504	\$1.1504
Share price	\$2.3007	\$2.3007
Expected life (years)	0.84	0.25
Expected dividends	0%	0%
Volatility rate	100%	100%
Risk-free interest rate	2.25%	1.55%
Fair value per conversion right	\$1.3448	\$1.1841

8. WARRANTS LIABILITY

During the year ended December 31, 2013, the Company issued warrants to purchase Series A Convertible Preferred Shares. These warrants were issued as part of a unit consisting of four Series A Convertible Preferred Shares and one warrant. All of the subscribers to the unit issuance were unrelated parties. These warrants were classified as a derivative liability and as such are revalued at each reporting date.

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8. WARRANTS LIABILITY (continued)

		Warrants Liability
Balance at January 1, 2018	\$	446,883
Revaluation of derivative		(26,577)
Balance at December 31, 2018		420,306
Revaluation of derivative		(38,519)
Balance at December 31, 2019	\$	381,787

The fair value of the warrants liability is estimated at each reporting date using the Black-Scholes model with the following inputs:

	December 31, 2019	December 31, 2018
Exercise price	\$2.1648	\$2.1648
Share price	\$2.1648	\$2.1648
Expected life (years)	3.514	4.51
Expected dividends	0%	0%
Volatility rate	100%	100%
Risk-free interest rate	1.62%	2.51%
Fair value per warrant	\$1.4311	\$1.5755

The following Series A Preferred Shares warrants are outstanding as at December 31, 2019 and 2018:

Expiry date	Number outstanding	Exercise price
March 2023	6,929	\$2.1648
April 2023	136,272	\$2.1648
May 2023	16,168	\$2.1648
July 2023	18,477	\$2.1648
November 2023	76,797	\$2.1648
December 2023	12,127	\$2.1648
	266,770	

During the years ended December 31, 2019 and 2018, there was no warrants activity.

9. COMMON AND PREFERRED SHARES

(a) Authorized

The Company is authorized within the limitations and restrictions stated in the Amended and Restated Articles of Incorporation to provide by resolution for the issuance of the following:

- (i) 8,500,000 shares of common share, par value of \$0.001 per share.
- (ii) 2,651,285 shares of Series A Convertible Preferred Share, par value of \$0.001 per share.
- (iii) 1,738,572 shares of Series A-1 Convertible Preferred Share, par value of \$0.001 per share.

(b) Common shares

During the year ended December 31, 2018, the Company issued 68,440 common shares with a fair value of \$38,326 to a non-related party as consideration for advisory services. The difference between fair value and par value of the shares was recorded in share premium.

During the year ended December 31, 2019, there was no common share activity.

(c) Preferred shares

Series A Convertible Preferred Shares

The Series A Convertible Preferred Shares ("Series A Preferred Share") are convertible into common shares of the Company at a conversion price of \$2.1648 per share. Each Series A Preferred Share is convertible at the option of the shareholder at any time. All Series A Preferred Shares are automatically convertible upon a majority vote from all Series A Preferred Shareholders and Series A-1 Convertible Preferred Shareholders (together the "Designated Preferred Shareholders") or upon the closing of the sale of common shares in a public offering whereby the share price is at least five times the Series A Preferred Share original issue price of \$2.1648 per share (the "Public Offering").

The Series A Preferred Shares are redeemable following a majority vote of the Designated Preferred Shareholders at any time after March 29, 2018 at a price equal to the greater of (i) the original issue price of \$2.1648, and (ii) the fair market value to be determined by a third-party appraiser.

Each Series A Preferred Share has the same voting right as common shares and entitle the holder to the number of votes equal to the number of common shares that would be received upon conversion.

Each issued and outstanding Series A Preferred Share entitles the holder of record to receive dividends at the annual rate of 8% of its original issue price. Such dividends are accrued day-to-day but shall only be payable when and if declared by the Board of Directors and the Company is under no obligation to pay such accrued dividends until declared.

Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the Designated Preferred Shareholders shall be entitled to receive an amount of cash equal to the sum of the original issuance price and any dividends declared but unpaid prior to any distribution of assets to common shareholders (the "Liquidation Amount").

Following the payment of the Liquidation Amount, the remaining assets of the Company shall be distributed rateably among the common shareholders and Designated Preferred Shareholders.

During the years ended December 31, 2019 and 2018, there was no Series A Preferred Share activity.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

9. COMMON AND PREFERRED SHARES (continued)

(c) Preferred shares (continued)

Series A-1 Convertible Preferred Share

The Series A-1 Convertible Preferred Share ("Series A-1 Preferred Share") are convertible into common shares of the Company at a conversion price of \$2.3007 per share. Each Series A-1 Preferred Share is convertible at the option of the shareholder at any time. All Series A-1 Preferred Shares are automatically convertible upon a majority vote from the Designated Preferred Shareholders or upon the closing of the Public Offering.

The Series A-1 Preferred Shares are redeemable following a majority vote of the Designated Preferred Shareholders at any time after March 29, 2018 at a price equal to the greater of (i) the original issue price of \$2.3007, and (ii) the fair market value to be determined by a third-party appraiser.

Each Series A-1 Preferred Share has the same voting right as common shares and shall entitle the holder to the number of votes equal to the number of common shares that would be received upon conversion.

Each issued and outstanding share of Series A-1 Preferred Share entitles the holder of record to receive dividends at the annual rate of 8% of its original issue price. Such dividends are accrued day-to-day but shall only be payable when and if declared by the Board of Directors and the Company is under no obligation to pay such accrued dividends until declared.

Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the Designated Preferred Shareholders shall be entitled to the Liquidation Amount.

Following the payment of the Liquidation Amount, the remaining assets of the Company shall be distributed rateably among the common shareholders and Designated Preferred Shareholders.

During the years ended December 31, 2019 and 2018, there was no Series A-1 Preferred Share activity.

The following is a reconciliation of the Preferred Share Liability for both Series A and A-1 Preferred Share for the years ended December 31, 2019 and 2018:

Preferred Share Liability		
Balance at January 1, 2018	\$	11,292,185
Interest expense		700,456
Accretion expense		308,869
Balance at December 31, 2018		12,301,510
Interest expense		700,456
Balance at December 31, 2019	\$	13,001,966

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

10. STOCK-BASED COMPENSATION

The Company adopted a stock option plan (the "Plan") to grant stock options to directors, employees and consultants of the Company. The aggregate number of shares of common share that may be issued pursuant to the Plan is limited to 1,450,000. The stock option exercise price shall not be less than the fair market value per share of common share on the grant date of the option. No stock option shall have a term in excess of ten years.

A summary of the Company's stock option activity is presented below:

	Number	Weighted Average Exercise Price
Balance at December 31, 2018 and January 1, 2018	797,655	\$0.70
Granted	40,000	\$0.56
Balance at December 31, 2019	837,655	\$0.67

On November 13, 2019, the Company granted 40,000 stock options to an employee of the Company. These stock options vest 2.08% per month over 48 months. These stock options have an exercise price of \$0.56 and expire on November 12, 2029.

The following are the outstanding stock options as of December 31, 2019:

Expiry date	Number outstanding	Exercise price	Contractual remaining life in years	Number exercisable
July 24, 2023	3,655	\$0.10	3.56	3,655
July 24, 2023	181,000	\$0.75	3.56	181,000
July 25, 2023	30,000	\$0.75	3.57	30,000
January 16, 2024	30,000	\$0.75	4.05	30,000
May 14, 2024	40,000	\$0.75	4.37	40,000
October 15, 2024	200,000	\$0.75	4.79	200,000
January 22, 2025	75,000	\$0.56	5.07	43,500
January 22, 2025	62,500	\$0.75	5.07	62,500
April 22, 2025	7,500	\$0.75	5.31	7,500
October 25, 2025	3,000	\$0.75	5.82	3,000
February 18, 2026	55,000	\$0.75	6.14	41,250
December 13, 2027	110,000	\$0.56	7.96	55,000
November 12, 2029	40,000	\$0.56	9.87	1,667
	837,655			699,072

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

10. STOCK-BASED COMPENSATION (continued)

The following are the outstanding stock options as at December 31, 2018:

Expiry date	Number outstanding	Exercise price	Contractual remaining life in years	Number exercisable
July 24, 2023	3,655	\$0.10	3.56	3,655
July 24, 2023	181,000	\$0.75	3.56	181,000
July 25, 2023	30,000	\$0.75	3.57	30,000
January 16, 2024	30,000	\$0.75	4.05	30,000
May 14, 2024	40,000	\$0.75	4.37	40,000
October 15, 2024	200,000	\$0.75	4.79	200,000
January 22, 2025	75,000	\$0.56	5.07	25,000
January 22, 2025	62,500	\$0.75	5.07	62,500
April 22, 2025	7,500	\$0.75	5.31	7,500
October 25, 2025	3,000	\$0.75	5.82	3,000
February 18, 2026	55,000	\$0.75	6.14	27,500
December 13, 2027	110,000	\$0.56	7.96	27,500
	797,655			637,655

The weighted average contractual life for the outstanding options at December 31, 2019 is 5.23 years (2018 – 6.00). The weighted average contractual life for the exercisable options at December 31, 2019 is 4.75 years (2018 – 5.56).

During the year ended December 31, 2019, total stock-based compensation expense recognized was \$22,461 (2018 - \$43,008). Of this amount, \$21,088 (2018 - \$43,008) was recognized in relation to the vesting of previously granted stock options and \$1,373 was due to the 40,000 stock options granted during the year. This amount was credited to reserve.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes model with the following weighted average inputs:

2019	
Exercise price	\$0.56
Share price	\$0.56
Expected life (years)	10
Expected dividends	0%
Volatility rate	100%
Risk-free interest rate	1.88%
Fair value per option	\$0.52

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

11. RESEARCH AND DEVELOPMENT

During the years ended December 31, 2019 and 2018, research and development expense related to one product, the Avisa BreathTest.

12. RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the years ended December 31, 2019 and 2018, remuneration of key management was as follows:

	2019	2018
Salary	\$ 323,700	\$ 296,042
Consulting fees	106,056	7,452
Stock-based compensation	1,373	-
	431,129	303,494

As at December 31, 2019, accounts payable and accrued liabilities includes \$71,694 (December 31, 2018 – \$66,466; January 1, 2018 - \$69,031) payable to key management personnel.

As at December 31, 2019, convertible debt of \$199,026 (December 31, 2018 – \$149,026; January 1, 2018 - \$149,026) and interest payable of \$75,981 (December 31, 2018 - \$47,013; January 1, 2018 - \$25,653) is payable to key management personnel.

Amounts due to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

13. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the United States statutory income tax rate of 21% (2018 – 21%) to income before income taxes.

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

	2019	2018
Net loss for the year	\$ (1,929,811)	\$ (4,087,511)
Statutory income tax rate	21%	21%
Income tax benefit computed at statutory tax rate	\$ (405,260)	\$ (858,377)
Items not deductible for tax purposes	5,911	24,078
Origination and reversal of temporary differences	139,130	3,969
Unused tax losses and tax offsets not recognized	260,219	830,330
Income tax expense	\$ -	\$ -

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2019 and 2018 is as follows:

	2019	2018
Deferred income tax assets		
Non-capital losses	\$ 200,707	\$ 183,355
Deferred income tax liabilities		
Convertible debt	(159,772)	(186,355)
Senior notes	(40,935)	-
Deferred income tax liabilities, net	\$ -	\$ -

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2019 and 2018, the Company has not recognized the benefit of the following deductible temporary differences:

	2019	2018
Non-capital loss carry forward	\$ 14,663,195	\$ 13,109,238
Preferred shares	\$ 3,545,807	\$ 3,545,807
Contributions	\$ 505	\$ 505

As at December 31, 2019, the Company has \$15,618,941 (2018 - \$13,996,643) in estimated non-capital losses for United States income tax purposes that may be carried forward to reduce taxable income derived in future years. The non-capital losses expire in 2030 to 2037. Non-capital losses incurred from January 1, 2018 onwards have no date of expiry.

14. RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major United States financial institution.

AVISA PHARMA INC.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

14. RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

As at December 31, 2019, the Company had a cash balance of \$106,672 (December 31, 2018 - \$3,681; January 1, 2018 - \$307,646) available to apply against short-term business requirements and current liabilities of \$21,635,064 (December 31, 2018 - \$19,632,459; January 1, 2018 - \$15,952,577). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2019.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates. As at December 31, 2019 and 2018, the interest rate on the convertible debt balances have fixed interest rates and the senior notes are non-interest bearing. Therefore, the Company does not consider interest rate risk to be significant.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

15. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of convertible debt and senior notes. The Company is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' deficiency. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. The Company did not change its approach to capital management during the year ended December 31, 2019 or 2018.

16. SEGMENTED INFORMATION

The Company has one operating segment, technology development. All assets of the Company are located in the United States of America.

17. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2019:

- 1) The Company received \$81,468 in financing in the form of a promissory note (the "Note") from the United States Federal Government through the Paycheck Protection Program (the "PPP"). The repayment of principal and interest of the Note shall be through monthly installments beginning on October 11, 2020 through April 11, 2022. The Note may be prepaid at any time without penalty. The Note carries interest at 1% per annum, which increases to a rate of 18% per annum in the event of default. The Note will be forgiven if at least 75% of the proceeds are used for payroll costs, and the remaining 25% are used for payroll costs, interest on mortgages, rent, or utilities.
- 2) The Company completed a financing through the issuance of \$415,667 senior notes. Of this amount, \$65,667 was issued in exchange for convertible debt through the pull-through mechanic described in Note 6. \$28,125 of accrued interest was forfeited by the debtholders as a result of the convertible debt exchange. These senior notes have the same terms as previously issued senior notes as described in Note 7. As part of this issuance the maturity date of all senior notes and convertible debt issued to date has been amended to September 30, 2020.
- 3) The Company entered a share subscription facility agreement (the "Agreement") with GEM Global Yield LLC SCS and GEM Yield Bahamas Ltd. (together "GEM"). The Agreement grants the Company the right to require GEM to purchase common shares of the Company in an aggregate of 29,400,000 British pounds in the event that the Company becomes listed on any nationally recognized stock exchange or completes a reverse takeover transaction.
- 4) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.
- 5) The Company entered a letter of intent (the "LOI") with Panorama Capital Corp. ("Panorama") to complete a business combination transaction (the "Proposed Transaction"). Prior to the closing of the Proposed Transaction, the issued and outstanding common shares of Panorama will be consolidated on a 3:1 basis and the issued and outstanding common shares of the Company will be split on a 1:1.75 basis.

The Company will also complete a concurrent financing for approximately \$7,000,000 Canadian dollars ("CAD") through the issuance of 10,937,500 common shares at a price of CAD \$0.64 per common share (the "Concurrent Financing"). The Company has entered an agreement with an agent to facilitate the Concurrent Financing. The Company will issue the agent an option to purchase an additional number of common shares equal up to 15% of the common shares sold pursuant to the Concurrent Financing. As compensation for the agent's services, the Company will pay the agent a cash fee equal to 8% of the gross proceeds of the Concurrent Financing, a \$120,000 cash corporate finance fee and issue compensation options equal to 8% of the common shares sold in the Concurrent Financing with an exercise price equal to the issue price in the Concurrent Financing and a term of 24 months.

SCHEDULE “B”

**The Audited Consolidated Financial Statements of FogChain as of and for the years ended December 31,
2020, December 31, 2019, and December 31, 2018**

See attached.

AVISA DIAGNOSTICS INC.
(formerly FogChain Corp.)

Consolidated Financial Statements
Year Ended December 31, 2020 and 2019
(Expressed In US Dollars)

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avisia Diagnostics Inc. (formerly FogChain Corp.)

Opinion

We have audited the consolidated financial statements of Avisia Diagnostics Inc. (formerly FogChain Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

April 30, 2021



An independent firm
associated with Moore
Global Network Limited

AVISA DIAGNOSTICS INC.**(Formerly FogChain Corp.)**

Consolidated Statements of Financial Position

(Expressed in US Dollars)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Cash	4	\$ 110,002	\$ 426,267
Receivables	5	994	64,898
Prepays and deposits		2,587	2,843
		113,583	494,008
Equipment	7	8,572	28,597
		\$ 122,155	\$ 522,605
LIABILITIES			
Trade payables and accrued liabilities	8	\$ 166,100	\$ 107,758
Deferred revenue		-	19,110
Due to related parties	11	320,399	228,745
Government grant	9	8,000	-
		494,499	355,613
Government loan payable	9	153,441	-
		647,940	355,613
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	10	10,479,795	10,479,795
Reserve	10	429,792	398,480
Accumulated other comprehensive loss		(13,584)	(5,257)
Deficit		(11,421,788)	(10,706,026)
		(525,785)	166,992
		\$ 122,155	\$ 522,605

Nature and Continuation of Operations (Note 1)

Commitment (Note 12)

Subsequent Events (Note 17)

Approved on behalf of the board of directors:

"Brian Birk"

Director

"David S. Joseph"

Director

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

AVISA DIAGNOSTICS INC.**(Formerly FogChain Corp.)**

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)

		Year ended December 31, 2020	Year ended December 31, 2019
	Note		
Sales	13	\$ 277,830	\$ 838,857
Cost of Services		148,549	407,052
GROSS PROFIT		129,281	431,805
Operating expenses			
Amortization	6,7	20,025	965,665
Bad debt		-	19,723
Consulting fees	11	7,990	164,184
Finance charge	9	17,096	-
Marketing		3,559	36,762
Office and administration		141,289	183,534
Professional fees		165,772	190,038
Regulatory and transfer agent fees		27,517	43,551
Rent and utilities	11	19,906	41,586
Salaries and benefits	11	452,342	1,232,967
Share-based compensation	10, 11	31,312	133,790
Software costs		12,947	19,761
Travel		900	70,168
		900,655	3,101,729
NET LOSS BEFORE OTHER ITEMS		(771,374)	(2,669,924)
Other items			
Interest income		497	2,002
Impairment of intangibles	6	-	(1,212,010)
Impairment of goodwill	6	-	(253,961)
Grant income	9	55,115	-
		55,612	(1,463,969)
NET LOSS FOR THE YEAR		(715,762)	(4,133,893)
Other comprehensive loss that may be reclassified to profit and loss			
Unrealized foreign exchange loss		(8,327)	(731)
		(8,327)	(731)
COMPREHENSIVE LOSS FOR THE YEAR		\$ (724,089)	\$ (4,134,624)

Loss per common share *

-basic and diluted	\$	(0.14)	\$	(0.84)
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Weighted average number of common shares outstanding

-basic and diluted	78,365,224	73,812,279
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* On April 20, 2021, the Company effected a share consolidation on the basis of 15:1. The calculation of basic and diluted loss per common share for all periods presented has been adjusted retrospectively, on the basis of 5,224,348 and 4,920,819 as the weighted average number of common shares outstanding, respectively.

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

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Consolidated Statement of Changes in Shareholders' Equity (Deficit)

(Expressed in US Dollars)

Share Capital									
	Note	Number of Common Shares	Amount	Number of Class A Convertible Restricted Common Shares	Amount	Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficit)
Balance at December 31, 2018		75,623,098	\$ 10,434,750	18,630,000	\$ 3,105	\$ 264,690	\$ (4,526)	\$ (6,572,133)	\$ 4,125,886
Shares returned to treasury	10	(120,874)	-	-	-	-	-	-	-
Conversion of shares	10	1,863,000	311	(1,863,000)	(311)	-	-	-	-
Share-based payments	10	1,000,000	41,940	-	-	-	-	-	41,940
Share-based compensation	10	-	-	-	-	133,790	-	-	133,790
Net loss for the year		-	-	-	-	-	-	(4,133,893)	(4,133,893)
Other comprehensive loss		-	-	-	-	-	(731)	-	(731)
Balance at December 31, 2019		78,365,224	10,477,001	16,767,000	2,794	398,480	(5,257)	(10,706,026)	166,992
Share-based compensation	10	-	-	-	-	31,312	-	-	31,312
Net loss for the year		-	-	-	-	-	-	(715,762)	(715,762)
Other comprehensive loss		-	-	-	-	-	(8,327)	-	(8,327)
Balance at December 31, 2020		78,365,224	\$ 10,477,001	16,767,000	\$ 2,794	\$ 429,792	\$ (13,584)	\$ (11,421,788)	\$ (525,785)

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

AVISA DIAGNOSTICS INC.
(Formerly FogChain Corp.)
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (715,762)	\$ (4,133,893)
Items not involving cash:		
Amortization	20,025	965,665
Share-based compensation	31,312	133,790
Bad debt	-	19,723
Consulting fees - non-cash	-	41,940
Accrued interest on loan	17,096	-
Impairment of intangibles	-	1,212,010
Impairment of goodwill	-	253,961
	(647,329)	(1,506,804)
Changes in non-cash operating working capital items:		
Receivables	63,904	(19,492)
Prepays and deposits	256	15,387
Trade payables and accrued liabilities	58,343	(83,442)
Deferred revenue	(19,110)	19,110
Due to related parties	91,654	228,745
	(452,283)	(1,346,496)
Investing		
Acquisition of equipment	-	(27,918)
	-	(27,918)
Financing		
Government loan and grant	144,345	-
	144,345	-
Effect of foreign exchange on cash flows	(8,327)	(731)
Decrease in cash during the year	(316,265)	(1,375,145)
Cash, beginning of the year	426,267	1,801,412
Cash, end of the year	\$ 110,002	\$ 426,267

Supplemental cash flow information:

During the year ended December 31, 2020 there were no significant non-cash transactions.

During the year ended December 31, 2019 the Company incurred the following significant non-cash transactions:

- A fair value of \$41,940 on common shares issued for consulting services (note 10); and
- A reallocation of \$311 to common shares on the conversion of 1,863,000 Class A restricted shares (note 10).

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

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Avisa Diagnostics Inc. (formerly FogChain Corp.) (the "Company") was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario)*. The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol FOG and on the OTCQB trading under the symbol FOGCF. Effective November 4, 2020, the CSE has deemed the Company's listed securities to be inactive and changed its symbol to FOG.X.

The Company's head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 4400-181 Bay Street, Toronto, Ontario M5J 2T3.

The Company was previously a fully integrated, end-to-end software development life cycle and quality assurance solutions provider. The Company's suite of services and technology was designed to provide application development at scale with greater speed, efficiency and at a lower cost. The Company's software architecture assisted developers with a suite of tools to build, test, and monitor new applications in a unified environment. However, the Company's business is now limited to identifying and evaluating assets or businesses for an acquisition.

On December 17, 2019, the Company entered into a share exchange agreement with Canadian Teleradiology Services Inc., a privately held Canadian company incorporated under the *Canada Business Act (Ontario)*. On June 22, 2020, the share exchange agreement was terminated.

On August 21, 2020, the Company entered into a business combination and amalgamation agreement with Global Star Education Group Limited, a privately held Canadian company. On November 2, 2020, the business combination and amalgamation agreement was terminated.

On April 20, 2021, according to the Merger Agreement and Plan of Reorganization dated February 1, 2021 ("Merger Agreement"), the Company acquired the issued and outstanding shares of Avisa Pharma Inc. ("Avisa"), a privately held medical device company incorporated in Delaware, that has developed a quantitative, point-of-care diagnostic breath test for rapidly detecting bacterial pneumonia and pulmonary infections. (Note 17).

Upon completion of the reverse takeover transaction, the Company changed its name to Avisa Diagnostics Inc. and will continue the business of Avisa. The listing of the resulting issuer is conditionally approved by the CSE and the resumption of trading is expected in May 2021.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to evaluate and complete a business combination. At December 31, 2020, the Company has an accumulated deficit of \$11,421,788 (December 31, 2019 - \$10,706,026) including a loss for the year ended December 31, 2020 of \$715,762 (December 31, 2019 - \$4,133,893). These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

The consolidated financial statements were authorized for issue on April 30, 2021 by the directors of the Company.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

2. BASIS OF PRESENTATION

Statement of compliance with International Financial Reporting Standards ("IFRS")

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

Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable. The consolidated financial statements are presented in US Dollars unless otherwise noted.

These consolidated financial statements include accounts of the Company and its wholly-owned subsidiary, Fogchain USA Inc. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. The Company's subsidiary uses the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

Recognition and valuation of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Research and development costs

Evaluating whether or not costs incurred by the Company in developing its technology meet the criteria for capitalizing as intangible assets. Management determined that some products are able to complete intangible assets and are able, with sufficient certainty, to demonstrate that assets will generate future economic benefits. Development costs of these products are capitalized at cost value. Research and development costs of other products are recognized as period expense.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. The Company recognizes revenues when services are completed and billed.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the year ended December 31, 2020, other comprehensive income is related to the effects of currency translation adjustments.

Business combination

Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, than when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- a) The identifiable assets acquired and liabilities assumed;
- b) The consideration transferred in exchange for an interest in the acquiree;
- c) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

Estimates of useful lives of property and equipment and intangible assets

Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Cash generating units and impairment of non-financial assets

Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short-term highly liquid investments with original maturities of three months or less.

Foreign currency translation

The financial statements are presented in US dollars.

The functional currency for the Company is the Canadian dollar and the functional currency for Fogchain Inc. is the US dollar.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in profit or loss. When converting to presentation currency, all resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Loss.

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets and liabilities acquired. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination.

Intangibles and equipment

Intangible assets and equipment are recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated over the estimated useful lives as follows:

Computer equipment	2 to 3 years	Straight-line method
Software	3 years	Straight-line method
Customer list	5 years	Straight-line method

Impairment

The Company reviews the carrying amounts of its non-financial assets, including equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment (cont'd)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Fair value less costs of disposal is estimated using recent market prices for similar items that would be received in an orderly transaction between market participants at the measurement date. If the recoverable amount of an asset or cash generating unit is reduced to its recoverable amount, an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Income taxes

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date. Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

Warrants

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the reserve account.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation

The Company has a share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in the reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based compensation expense with a corresponding credit to reserve. When stock options are exercised, the proceeds, together with the amount recorded in the reserve account, are recorded in share capital.

Financial instruments

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Receivables	Amortized cost
Financial liabilities	
Trade payables	Amortized cost
Due to related parties	Amortized cost
Government grant	Amortized cost
Loan payable	Amortized cost

The Company classifies its financial assets in one of the following categories: (1) financial assets at fair value through profit or loss ("FVTPL"), (2) at amortised cost or (3) financial assets at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss in the period in which they arise.

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company's financial instruments at December 31, 2020 are as follows:

			Level 1		Level 2		Level 3
Financial assets							
Cash and cash equivalents	\$	110,002	\$	–	\$	–	
Financial liabilities							
Trade payables	\$	–	\$	113,537	\$	–	
Due to related parties	\$	–	\$	320,399	\$	–	
Government grant	\$	–	\$	8,000	\$	–	
Loan payable	\$	–	\$	153,441	\$	–	

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, accounts payables, loan payable and due to related parties approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the statement of comprehensive loss. Impairment losses on financial assets carried at amortized cost, including receivables, are calculated as the difference between the amortized cost of the receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earnings/loss per share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the reporting period.

Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Revenues

The Company generates revenues by providing fully integrated, end-to-end software development life cycle and quality assurance solutions. The Company's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. Revenues from IT support services are recognized when services are provided and billed.

The Company follows a five step recognition and measurement approach for revenue arising from contracts with customers:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

Government grants and loans

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

A forgivable loan from the government is treated as a government grant as long as there is reasonable assurance that the Company will meet the terms for forgiveness of the loan.

Accounting standard issued but not yet effective

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. CASH

	December 31, 2020	December 31, 2019
Cash at bank	\$ 92,082	\$ 349,150
Short-term investments	17,920	77,117
	<u>\$ 110,002</u>	<u>\$ 426,267</u>

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

5. RECEIVABLES

	December 31, 2020		December 31, 2019	
Trade receivables	\$	-	\$	58,080
Goods and services tax recoverable		994		6,818
	\$	994	\$	64,898

6. INTANGIBLE ASSETS

	Software ^(a)		Customer List ^(b)		Goodwill ^(b)		Total
Acquisition costs:							
Balance, December 31, 2018	\$	2,703,383	\$	661,611	\$	253,961	\$ 3,618,955
Impairment		(815,043)		(396,967)		(253,961)	(1,465,971)
Balance, December 31, 2019 and 2020	\$	1,888,340	\$	264,644	\$	-	\$ 2,152,984
Accumulated amortization:							
Balance, December 31, 2018	\$	1,073,297	\$	132,322	\$	-	\$ 1,205,619
Amortization		815,043		132,322		-	947,365
Balance, December 31, 2019 and 2020	\$	1,888,340	\$	264,644	\$	-	\$ 2,152,984
Balance, December 31, 2019 and 2020	\$	-	\$	-	\$	-	\$ -

The Company tests assets for impairment of intangible assets when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was performed on the recoverable amount.

- a) On June 1, 2018, the Company entered into a computer software assignment and asset purchase agreement ("RadJav Purchase Agreement") to acquire the RadJav rapid application development platform ("RadJav") and other related assets from Higher Edge Software, LLC. During the year ended December 31, 2019, the Company reassessed for impairment and determined that the recoverable amount of software is less than the carrying value. Accordingly, the Company recorded an impairment charge of \$815,043 during the year ended December 31, 2019.

There were no transactions during the year ended December 31, 2020.

- b) On August 29, 2018, the Company entered into a purchase agreement to acquire the rights, title and interest of certain assets of Quilmont LLC ("Quilmont"), a software development technology and solutions provider. For accounting purposes, the assets acquired were considered to be a business acquisition under IFRS 3 *Business Combinations* ("IFRS 3"). As such, the difference between the fair value of consideration paid and the fair value of the Company's identifiable assets and liabilities was recognized as goodwill.

The fair value less costs, primarily based on the Company's market capitalization as at December 31, 2019, were less than the net carrying amount of the CGU. The annual impairment test of goodwill was performed on December 31, 2019 and the Company recorded an impairment loss of \$253,961 on the goodwill and an impairment charge of \$396,967 on the customer list.

There were no transactions during the year ended December 31, 2020.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

7. EQUIPMENT

		Computer Equipment
Cost:		
At December 31, 2018	\$	20,757
Additions		27,918
At December 31, 2019 and 2020	\$	48,675
Accumulated amortization:		
At December 31, 2018	\$	1,778
Amortization		18,300
At December 31, 2019		20,078
Amortization		20,025
At December 31, 2020	\$	40,103
Net book value:		
At December 31, 2019	\$	28,597
At December 31, 2020	\$	8,572

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Trade payables	\$ 113,537	\$ 100,878
Accrued liabilities	52,563	6,880
	\$ 166,100	\$ 107,758

9. GOVERNMENT LOAN AND GRANT

In response to the COVID-19 pandemic, the US Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act provides fast and direct economic assistance for entrepreneurs and small businesses through the US Small Business Administration ("SBA").

During the year, the Company received a loan issued under the CARES Act program – Paycheck Protection Program (the "PPP loan").

The Company received a PPP loan of \$191,460 bearing interest at 1% per annum maturing on April 21, 2022 (the "Maturity Date"). The PPP loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement. Under the PPP, the Company may apply to have certain amounts forgiven under the direction of the Administrator of the SBA providing that the Company satisfies certain criteria. Repayment of the PPP loan will commence earlier of when the SBA remits the forgiveness amount to the lender or the Maturity Date.

Upon initial receipt, the Company recorded the PPP loan at a fair value of \$136,346, based on a prevailing market rate of 18.5%. The Company recorded the result of the benefit received from the below-market interest rate PPP loan of \$55,115 as a grant income on the statement of loss and comprehensive loss.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

9. GOVERNMENT LOAN AND GRANT (cont'd)

The funds from the PPP loan are limited to pay payroll costs, costs related to the continuation of healthcare benefits and insurance premiums, employee salaries and commissions, interest on mortgage obligation, rent and utility payments, interest on debt incurred before February 15, 2020, and refinancing an SBA Economic Injury Disaster Loan ("EIDL") loan made between January 31, 2020 and April 3, 2020. As such, the PPP loan has been amortized and recognized in the statement of loss and comprehensive loss over the year ended December 31, 2020; the period in which the Company has recognized the related expenditures for which the balances were intended to compensate. During the year ended December 31, 2020, the Company recorded \$17,096 as a finance charge.

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ —	\$ —
Loan received	191,460	—
Interest free benefit	(55,115)	—
Finance charge	17,096	—
Balance, end of year	\$ 153,441	\$ —

In addition, the Company received a non-interest bearing advance of \$8,000 under the EIDL program. As the Company received an EIDL advance and a PPP loan, the EIDL advance portion will be applied against the PPP forgiveness amount as repayment to the SBA upon approval of the PPP forgiveness application. The advance of \$8,000 has been treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan.

10. SHARE CAPITAL

a) Authorized share capital

Unlimited common shares without par value

Unlimited Class A convertible restricted voting common shares without par value ("Restricted Shares").

The Restricted Shares entitles the holder to receive notice to attend and vote at meetings, however, it prohibits the shareholder from voting for the election or removal of directors of the Company. Each Restricted Share shall be convertible into 1 common share, without payment of additional consideration, at the option of the holder thereof as follows:

- (i) at any time that is not a Restricted Period¹ or with the consent of the board of directors;
- (ii) if the Company determines that it has ceased to be a foreign issuer for the purposes of United States securities laws, and has notified the holders of the Restricted Shares of such determination;
- (iii) if there is an offer to purchase the common shares, and the Issuer has notified the holders of the Restricted Shares of such offer and commencing on the date the offer is made until completion or termination of such offer.

¹ – "Restricted Period" means any time at which the board of directors reasonably believes that the Company is a domestic issuer under applicable United States securities laws or would become a domestic issuer as a result of the issuance of Common Shares upon the conversion of Restricted Voting Common Shares.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd)

b) Issued

During the year ended December 31, 2020, the Company had no transactions affecting share capital.

During the year ended December 31, 2019, the Company:

- (i) cancelled and returned 120,874 common shares to treasury forfeited by two shareholders. No consideration was exchanged for this forfeiture.
- (ii) issued a total of 1,863,000 common shares on the conversion of 1,863,000 Restricted Shares. The Company reallocated a value of \$311 on the conversion of these shares.
- (iii) issued 1,000,000 common shares at a fair value of \$41,940 as consideration for consulting services.

c) Escrow shares

18,630,000 Restricted Shares and 3,240,000 common shares issued to the principals of the Company were subject to escrow conditions required by applicable securities laws and the CSE requirements over a period of 36 months. As at December 31, 2020, 2,794,500 Restricted Shares and 486,000 common shares are held within escrow.

d) Reserve

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

e) Stock options and warrants

The Company maintains a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options as determined by the Board of Directors.

There were no stock option granted during the year ended December 31, 2020.

On October 1, 2018, the Company granted an aggregate of 1,920,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of CDN\$0.28 per share expiring on October 1, 2022. The stock options granted are subject to vesting terms over a 2 year period. During the year ended December 31, 2020, the Company recorded \$31,312 (2019 - \$133,790) in share-based compensation for stock options that vested during the current year.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd)

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2018	1,908,750	CAD\$ 0.28	686,255	CAD\$ 0.54
Forfeited	(1,250)	CAD\$ 0.28	-	CAD\$ -
Outstanding, December 31, 2019	1,907,500	CAD\$ 0.28	686,255	CAD\$ 0.54
Forfeited	(325,000)	CAD\$ 0.28	-	CAD\$ -
Expired	-	CAD\$ -	(686,255)	CAD\$ -
Outstanding, December 31, 2020	1,582,500	CAD\$ 0.28	-	CAD\$ -
Number currently exercisable	1,582,500	CAD\$ 0.28	-	CAD\$ -

As at December 31, 2020, the following stock options were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	October 1, 2022	1,582,500	CAD\$ 0.28	1.75 years

11. RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. During the years ended December 31, 2020 and 2019, the remuneration of the key management personnel, which were recorded in salaries and benefits, were as follows:

December 31,		2020		2019
Chief Executive Officer	\$	62,448	\$	192,000
VP Product Marketing & Corporate Secretary		57,225		155,000
Chief Strategy Officer		65,000		185,000
Chief Financial Officer		6,715		-
Director		7,500		-
Total	\$	198,888	\$	532,000

Other related party transactions and balances

- The Company recorded \$28,841 (December 31, 2020 - \$116,958) in share-based compensation for key management personnel.
- The Company leases office space on a month to month basis from Newton Energy, Inc. ("Newton"), a company with a common director and shareholder, James Cerna, for a monthly rent of \$1,500 plus \$210 in telecommunication services. Effective July 1, 2020, the lease arrangement was terminated.

During the year ended December 31, 2020, the Company paid a total of \$10,260 (2019 - \$20,520) in rent and telecommunications charges. As at December 31, 2020, \$Nil (December 31, 2019 - \$8,550) was owed to Newton which was recorded in trade payables.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

11. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

- (iii) As at December 31, 2020, \$142,364 (December 31, 2019 - \$93,614) was owed to James Cerna for accrued salaries and bonuses.
- (iv) As at December 31, 2020, \$116,798 (December 31, 2019 - \$75,131) was owed to Anthony Cerna, officer of the Company for accrued salaries and bonuses.
- (v) As at December 31, 2020, \$60,000 (December 31, 2019 – \$60,000) was owed to Patrick Quilter, a former director and officer of the Company for accrued bonuses.
- (vi) As at December 31, 2020, \$1,237 (December 31, 2019 - \$Nil) was owed to Rob Kang, chief financial officer of the Company for consulting services and recorded in due to related parties.

12. COMMITMENT

On June 1, 2018, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD\$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination. Effective January 1, 2020, the administrative service fee was reduced to CAD\$5,000 plus applicable taxes.

13. SEGMENTED INFORMATION

The Company operates in two industry segments, being project development services, support and maintenance services and consulting services.

December 31,	2020	2019
Sales for the year		
Support and maintenance	\$ 11,610	\$ 17,754
Project development	-	34,380
Consulting	266,220	786,723
	<u>\$ 277,830</u>	<u>\$ 838,857</u>

During the year ended December 31, 2020, there were two customers that made up in excess of 10% (2019 – two customers) of total revenue, comprised of 93% (2019 – 84%) of total revenue, respectively.

14. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27% (2019 - \$27%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2020	2019
Loss before income taxes	\$ (715,762)	\$ (4,133,893)
Expected income tax at statutory tax rates	\$ (205,000)	\$ (1,210,000)
Permanent difference	9,000	524,000
Change in statutory, foreign tax, foreign exchange rates and other	(219,000)	423,000
Adjustments and change in unrecognized deductible temporary differences	415,000	263,000
Total income tax expense	\$ -	\$ -

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

14. INCOME TAXES (cont'd)

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry dates	2019	Expiry dates
Share issue costs	\$ 259,000	2023	\$ 389,000	2023
Non-capital losses	10,027,000	2028 to 2040	7,952,000	2028 to 2039
Capital assets	-	No expiry	(99,000)	No expiry
Canadian eligible capital	122,000	No expiry	122,000	No expiry
Exploration and evaluation assets	1,726,000	No expiry	1,726,000	No expiry
Allowable capital losses	19,618,000	No expiry	19,618,000	No expiry
	<u>\$ 31,752,000</u>		<u>\$ 29,708,000</u>	

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with reputable US and Canadian banks. Therefore, credit risk is assessed as low.

The Company's secondary exposure to credit risk is on its receivables. The Company's credit risk is low as current receivables consist of 100% refundable Canadian government sales taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. Liquidity risk is assessed as high.

As at December 31, 2020, the Company had working capital deficiency of \$380,916 (December 31, 2019 – working capital \$138,395).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate risk to be minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at December 31, 2020, the Company had net financial liabilities of CAD\$143,104. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$14,310.

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

(Expressed in US Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

(c) Price risk

Price risk is the risk that the revenue will change due to the change in the prices. The Company is not exposed to price risk.

16. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns and benefits to shareholders. The capital structure of the Company consists of equity comprised of issued share capital and any debt that it may issue.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There was no change to the capital management from the prior period.

17. SUBSEQUENT EVENTS

a) On March 23, 2021, the Company entered into a debt settlement agreement to settle CAD\$85,000 in outstanding debt to a private company for administrative services provided to the Company (Note 12). On April 15, 2021, the Company issued 1,545,454 common shares at a price of CAD \$0.055 to settle this debt.

b) Pursuant to the Merger Agreement (Note 1), the Company acquired all of the issued and outstanding shares of Avisia. Immediately prior to the completion of the merger, the Company consolidated its issued and outstanding share capital on the basis of 15:1. Accordingly, the Company issued the shareholders of Avisia approximately 34,351,221 common shares and 15,208,674 restricted voting shares in the capital of the Company on a post-consolidation basis.

In connection with the Merger, Avisia closed a private placement of 1,540,741 subscription receipts for gross proceeds of \$693,336. Pursuant to the terms of the Avisia Subscription Receipts, each Avisia Subscription Receipt is convertible into one Avisia common share, without payment of additional consideration or further action on the part of the holder of Avisia Subscription Receipts, upon satisfaction of the Escrow Release Conditions. On April 20, 2021, the Company issued 1,540,741 post consolidation common shares on conversion of the Avisia subscription receipts.

Effective upon completion of the Transaction, the former directors and officers of the Company resigned.



FOGCHAIN CORP.

**Consolidated Financial Statements
Years Ended December 31, 2019 and 2018
(Expressed In US Dollars)**



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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FogChain Corp.

Opinion

We have audited the consolidated financial statements of FogChain Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2020



An independent firm
associated with Moore
Global Network Limited

FOGCHAIN CORP.

Consolidated Statements of Financial Position
(Expressed in US Dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents	5	\$ 426,267	\$ 1,801,412
Receivables	6	64,898	65,129
Prepays and deposits		2,843	18,230
		494,008	1,884,771
Intangible assets	7	-	2,159,375
Goodwill	7	-	253,961
Equipment	8	28,597	18,979
		28,597	2,432,315
		\$ 522,605	\$ 4,317,086
LIABILITIES			
Trade payables and accrued liabilities	9,11	\$ 107,758	\$ 191,200
Deferred revenue		19,110	-
Due to related parties	11	228,745	-
		355,613	191,200
SHAREHOLDERS' EQUITY			
Share capital	10	10,479,795	10,437,855
Reserve	10	398,480	264,690
Accumulated other comprehensive income		(5,257)	(4,526)
Deficit		(10,706,026)	(6,572,133)
		166,992	4,125,886
		\$ 522,605	\$ 4,317,086

Nature and Continuation of Operations (Note 1)

Commitment (Note 12)

Proposed Transaction (Note 17)

Approved on behalf of the board of directors:

"James Cerna"

James Cerna, Director

"Zachary Dymala-Dolesky"

Zachary Dymala-Dolesky, Director

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

FOGCHAIN CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Note	Years ended December 31,	
		2019	2018
Sales	13	\$ 838,857	\$ 194,345
Cost of services		407,052	93,482
GROSS PROFIT		431,805	100,863
Operating expenses			
Amortization	7,8	965,665	1,207,397
Bad debts		19,723	-
Consulting fees		164,184	261,558
Marketing		36,762	118,258
Office and administration		183,534	232,782
Professional fees		190,038	635,361
Regulatory and transfer agent fees		43,551	39,576
Rent and utilities	11	41,586	42,426
Salaries and benefits	11	1,232,967	488,416
Share-based compensation	10	133,790	89,671
Share-based payments	10	-	111,204
Software costs		19,761	147,692
Travel		70,168	25,473
		3,101,729	3,399,814
NET LOSS BEFORE OTHER ITEMS		(2,669,924)	(3,298,951)
Other items			
Interest income		2,002	6,513
Impairment of intangible	7	(1,212,010)	(516,507)
Impairment of goodwill	7	(253,961)	-
Listing expense	4	-	(2,686,401)
		(1,463,969)	(3,196,395)
NET LOSS FOR THE YEAR		(4,133,893)	(6,495,346)
Other comprehensive loss that may be reclassified to profit and loss			
Unrealized foreign exchange loss		(731)	(4,526)
		(731)	(4,526)
COMPREHENSIVE LOSS FOR THE YEAR		\$ (4,134,624)	\$ (6,499,872)
Loss per common share – basic and diluted		\$ (0.06)	\$ (0.10)
Weighted average number of common shares outstanding			
-basic and diluted		73,812,279	62,378,465

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

FOGCHAIN CORP.

Consolidated Statement of Shareholders' Equity (Deficiency)
(Expressed in US Dollars)

		Share Capital										
				Number of Class A convertible restricted common shares								
	Note	Number of common shares	Amount		Amount	Reserve	Subscription receipts		AOCI		Deficit	Total shareholders equity (deficiency)
Balance at December 31, 2017		54,000,000	\$ 9,025	-	\$ -	\$ -	\$ (110)	\$ -	\$ (76,787)	\$ (67,872)		
Shares issued for cash	10	9,983,884	4,108,120	-	-	-	110	-	-	-	4,108,230	
Shares reallocated as Class A convertible voting	10	(18,630,000)	(3,105)	18,630,000	3,105	-	-	-	-	-	-	
Share issuance costs	10	-	(427,302)	-	-	-	-	-	-	-	(427,302)	
Fair value of warrants	10	-	(175,019)	-	-	175,019	-	-	-	-	-	
Recapitalization transaction:												
Equity of FogChain	4, 10	3,318,051	837,238	-	-	-	-	-	-	-	837,238	
Share consolidation	4, 10	(1,319,288)	-	-	-	-	-	-	-	-	-	
Shares issued for finder's fee	4, 10	3,750,000	1,570,793	-	-	-	-	-	-	-	1,570,793	
Shares issued on debt settlement	10	240,451	100,720	-	-	-	-	-	-	-	100,720	
Shares issued on convertible notes		9,000,000	400,000	-	-	-	-	-	-	-	400,000	
Shares issued on asset acquisition	10	15,100,000	4,003,021	-	-	-	-	-	-	-	4,003,021	
Share-based payments	10	180,000	11,259	-	-	-	-	-	-	-	11,259	
Share-based compensation	10	-	-	-	-	89,671	-	-	-	-	89,671	
Net loss for the year		-	-	-	-	-	-	-	-	(6,495,346)	(6,495,346)	
Other comprehensive income		-	-	-	-	-	-	(4,526)	-	-	(4,526)	
Balance at December 31, 2018		75,623,098	10,434,750	18,630,000	3,105	264,690	-	(4,526)	(6,572,133)	4,125,886		
Shares returned to treasury	10	(120,874)	-	-	-	-	-	-	-	-	-	
Conversion of shares	10	1,863,000	311	(1,863,000)	(311)	-	-	-	-	-	-	
Share-based payments	10	1,000,000	41,940	-	-	-	-	-	-	-	41,940	
Share-based compensation	10	-	-	-	-	133,790	-	-	-	-	133,790	
Net loss for the year		-	-	-	-	-	-	-	-	(4,133,893)	(4,133,893)	
Other comprehensive income		-	-	-	-	-	-	(731)	-	-	(731)	
Balance at December 31, 2019		78,365,224	\$ 10,477,001	16,767,000	\$ 2,794	\$ 398,480	\$ -	\$ (5,257)	\$ (10,706,026)	\$ 166,992		

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

FOGCHAIN CORP.

Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year Ended December 31,	
	2019	2018
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (4,133,893)	\$ (6,495,346)
Items not involving cash:		
Amortization	965,665	1,207,397
Share-based compensation	133,790	89,671
Share-based payments	-	122,708
Bad debt	19,723	-
Consulting fees – non cash	41,940	-
Listing expense	-	2,518,643
Impairment of intangibles	1,212,010	516,507
Impairment of goodwill	253,961	-
	<u>(1,506,804)</u>	<u>(2,040,420)</u>
Changes in non-cash operating working capital items:		
Receivables	(19,492)	(61,281)
Prepays and deposits	15,387	(18,230)
Trade payables and accrued liabilities	(83,442)	151,696
Deferred revenue	19,110	-
Due to related parties	228,745	(7,560)
	<u>(1,346,496)</u>	<u>(1,975,795)</u>
Investing		
Acquisition of intangible assets	-	(250,000)
Acquisition of equipment	(27,918)	(20,757)
Net assets acquired from Quilmont	-	17,214
	<u>(27,918)</u>	<u>(253,543)</u>
Financing		
Net cash acquired on reverse takeover	-	886
Proceeds from issuance of shares, net	-	3,680,818
Subscription receipts	-	110
	<u>-</u>	<u>3,681,814</u>
Effect of foreign exchange on cash flows	<u>(731)</u>	<u>(4,526)</u>
Change in cash during the year	(1,375,145)	1,447,950
Cash, beginning of the year	1,801,412	353,462
Cash, end of the year	\$ 426,267	\$ 1,801,412

Supplemental cash flow information:

Significant non-cash transactions for the year ended December 31, 2019 included:

- A fair value of \$41,940 on common shares issued for consulting services (Note 10);
- A reallocation of \$311 to common shares on the conversion of 1,863,000 Class A restricted shares (Note 10);

Significant non-cash transactions for the year ended December 31, 2018 included:

- A fair value of \$3,905,196 on common shares issued for the acquisition of intangible assets (Note 7);
- A fair value of \$97,825 on common shares issued for the acquisition of software (Note 7);
- A fair value of \$11,259 on common shares issued for consulting services (Note 10);
- A fair value of \$175,019 on agent's warrants recorded in share issuance costs (Note 10); and
- A conversion of \$400,000 convertible debentures for 9,000,000 common shares

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

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

FogChain Corp. (the "Company" or "Fogchain") was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario)*.

The Company's head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 4400-181 Bay Street, Toronto, Ontario M5J 2T3.

On May 24, 2018, the Company completed a reverse takeover transaction (the "RTO"), which was effected pursuant to a merger agreement between Mukuba Resources Limited ("Mukaba") and FogChain Inc. ("Fog Inc."), a private company existing under the laws of Delaware with its head office in San Carlos, California. See Note 4.

As part of the transaction, the Company changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSX Venture Exchange effective May 28, 2018, and commenced trading its shares on the Canadian Securities Exchange ("CSE") on May 29, 2018, under the symbol FOG. On September 4, 2018, the Company's common shares were also listed on the OTCQB trading under the symbol FOGCF.

The Company is a fully integrated, end-to-end software development life cycle and quality assurance solutions provider. The Company's suite of services and technology is designed to provide application development at scale with greater speed, efficiency and at a lower cost. The Company's software architecture assists developers with a suite of tools to build, test, and monitor new applications in a unified environment.

On December 17, 2019, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Canadian Teleradiology Services Inc. ("CTS"), a privately held Canadian company incorporated under the *Canada Business Act (Ontario)*. CTS provides remote radiology services using licensed IT platforms and hosted servers. Pursuant to the Share Exchange Agreement, the Company is proposing to acquire all of the issued and outstanding common shares in the capital of CTS in exchange for the issuance of common shares in the capital of the Company. See Note 17.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to fully develop its software development Blockchain platform and generate revenue from its consulting services. At December 31, 2019, the Company has an accumulated deficit of \$10,706,026 (December 31, 2018 - \$6,572,133) including a loss for the year ended December 31, 2019 of \$4,133,893 (December 31, 2018 - \$6,495,346). These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

The consolidated financial statements were authorized for issue on April 29, 2020 by the directors of the Company.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements
December 31, 2019
(Expressed in US Dollars)

2. BASIS OF PRESENTATION

Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

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

Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable. The consolidated financial statements are presented in US Dollars unless otherwise noted.

These consolidated financial statements include accounts of the Company and its wholly-owned subsidiary, Fog Inc.

The consolidated financial statements include the accounts of Mukuba from May 24, 2018, the date of the RTO. The financial statements prior to this date include only the accounts of Fog Inc. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Fog Inc. uses the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements
December 31, 2019
(Expressed in US Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Recognition and valuation of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Research and development costs

Evaluating whether or not costs incurred by the Company in developing its technology meet the criteria for capitalizing as intangible assets. Management determined that some products are able to complete intangible assets and are able, with sufficient certainty, to demonstrate that assets will generate future economic benefits. Development costs of these products are capitalized at cost value. Research and development costs of other products are recognized as period expense.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. The Company recognizes revenues when services are completed and billed.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the year ended December 31, 2019, other comprehensive income is related to the effects of currency translation adjustments.

Reverse takeover

Refer to Note 4 for disclosure on the reverse takeover Transaction, which included estimates on the fair value of consideration paid, along with an assessment of fair value of net assets acquired.

Business combination

Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, than when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- a) The identifiable assets acquired and liabilities assumed;
- b) The consideration transferred in exchange for an interest in the acquiree;
- c) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its interim consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Business combination (cont'd)

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

Estimates of useful lives of property and equipment and intangible assets

Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Cash generating units and impairment of non-financial assets

Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short-term highly liquid investments with original maturities of three months or less.

Foreign currency translation

The financial statements are presented in US dollars.

The functional currency for the Company is the Canadian dollar and the functional currency for Fog Inc. is the US dollar.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in profit or loss. When converting to presentation currency, all resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Loss.

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets and liabilities acquired. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangibles and equipment

Intangible assets and equipment are recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated over the estimated useful lives as follows:

Computer equipment	2 to 3 years	Straight-line method
Software	3 years	Straight-line method
Customer list	5 years	Straight-line method

Business combination

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired. Business combinations are accounting for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company. Acquisition costs in connection with a business combination are expensed as incurred. Those costs include finder's fees, professional fees, consulting fees and general administrative costs.

Impairment

The Company reviews the carrying amounts of its non-financial assets, including equipment and intangible assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value less costs of disposal is estimated using recent market prices for similar items that would be received in an orderly transaction between market participants at the measurement date. If the recoverable amount of an asset or cash generating unit is reduced to its recoverable amount, an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date. Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

Warrants

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the reserve account.

Share-based compensation

The Company has a share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in the reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based compensation expense with a corresponding credit to reserve. When stock options are exercised, the proceeds, together with the amount recorded in the reserve account, are recorded in share capital.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Financial liabilities	
Trade payables	Amortized cost
Due to related parties	Amortized cost

The Company classifies its financial assets in one of the following categories: (1) financial assets at fair value through profit or loss ("FVTPL"), (2) at amortised cost or (3) financial assets at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss in the period in which they arise.

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets at FVTOCI

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

The Company's financial instruments at December 31, 2019 are as follows:

		Level 1		Level 2		Level 3
Financial assets						
Cash and cash equivalents	\$	426,267	\$	–	\$	–
Receivables	\$	–	\$	58,080	\$	–
Financial liabilities						
Trade payables	\$	–	\$	100,878	\$	–
Due to related parties	\$	–	\$	228,745	\$	–

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, accounts payables and due to related parties approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of comprehensive loss. Impairment losses on financial assets carried at amortized cost, including receivables, are calculated as the difference between the amortized cost of the receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earnings/loss per share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the reporting period.

Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Revenues

The Company generates revenues by providing fully integrated, end-to-end software development life cycle and quality assurance solutions. The Company's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. Revenues from IT support services are recognized when services are provided and billed.

The Company follows a five step recognition and measurement approach for revenue arising from contracts with customers:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

Adoption of new accounting standard

The Company has adopted the following new standard, with a date of initial application of January 1, 2019:

IFRS 16, Leases ("IFRS 16") IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company's management has assessed the impact of IFRS 16 on its leases which are short-term and fall under the exemptions of IFRS 16. The adoption of this amendment has not had a significant impact on the financial statements.

Accounting standard issued but not yet effective

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

4. REVERSE TAKEOVER OF FOGCHAIN INC.

On May 24, 2018, the Company completed a RTO transaction with Fog Inc. (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of Fog Inc.

Prior to the completion of the RTO, FogChain completed a consolidation of its shares on a basis of 1.66 to 1. Pursuant to the RTO, the Company issued an aggregate of 45,353,884 common shares and 18,630,000 Class A convertible restricted voting shares (the "restricted shares") of the Company in exchange for all of the issued and outstanding shares of Fog Inc. Upon closing of the transaction, the shareholders of Fog Inc. owned 96% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Fog Inc.

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of Fog Inc. obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entity were issued under the legal parent, FogChain, but are considered a continuation of the financial statements of the legal subsidiary, Fog Inc.
- (ii) As Fog Inc. was deemed to be the acquirer for accounting purposes, its assets and liabilities were included in the consolidated financial statements at their historical carrying values.
- (iii) Since the shares allocated to the former shareholders of FogChain on closing the RTO was considered within the scope of IFRS 2, and the Company could not identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of FogChain acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 3,318,051 common shares for all of FogChain was determined to be \$837,238 or \$0.42 per common share.

- (iv) The fair value of all the consideration given and charged to listing expense was comprised of:

Fair value of the common shares at RTO Date	\$	837,238
Identifiable assets acquired – At May 24, 2018		
Cash		886
Receivables		1,327
Trade payables		(112,826)
		(110,613)
Unidentified assets acquired		
Listing expense		947,850
Total net identifiable assets and transaction costs	\$	837,238

- (v) The Company paid a finder's fee of 3,750,000 shares at the completion of the RTO. Accordingly, the Company recorded the fair value of \$1,570,793 as a listing expense (Note 10). The Company incurred additional listing expenses of \$167,758.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

5. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash at bank	\$ 349,150	\$ 1,638,177
Short-term investments	77,117	163,235
	<u>\$ 426,267</u>	<u>\$ 1,801,412</u>

6. RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	\$ 58,080	\$ 62,346
Goods and services tax recoverable	6,818	2,783
	<u>\$ 64,898</u>	<u>\$ 65,129</u>

7. INTANGIBLE ASSETS

	Software ^(a)	Customer List ^(b)	Goodwill ^(b)	Total
Acquisition costs:				
Balance, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Additions	3,219,890	661,611	253,961	4,135,462
Impairment	(516,507)	-	-	(516,507)
Balance, December 31, 2018	2,703,383	661,611	253,961	3,618,955
Impairment	(815,043)	(396,967)	(253,961)	(1,465,971)
Balance, December 31, 2019	\$ 1,888,340	\$ 264,644	\$ -	\$ 2,152,984
Accumulated amortization:				
Balance, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Amortization for the year	1,073,297	132,322	-	1,205,619
Balance, December 31, 2018	1,073,297	132,322	-	1,205,619
Amortization for the year	815,043	132,322	-	947,365
Balance, December 31, 2019	\$ 1,888,340	\$ 264,644	\$ -	\$ 2,152,984
Balance, December 31, 2018	\$ 1,630,086	\$ 529,289	\$ 253,961	\$ 2,413,336
Balance, December 31, 2019	\$ -	\$ -	\$ -	\$ -

The Company tests assets for impairment of intangible assets when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was performed on the recoverable amount.

- a) On June 1, 2018, the Company entered into a computer software assignment and asset purchase agreement ("RadJav Purchase Agreement") to acquire the RadJav rapid application development platform ("RadJav") and other related assets from Higher Edge Software, LLC. The Company issued payment under the following terms of the acquisition:

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

7. INTANGIBLE ASSETS (cont'd)

a) (cont'd)

- (i) 10,000,000 common shares of the Company with a fair value of \$2,969,890 (Note 10) (issued); and
- (ii) Aggregate cash payment of \$250,000 payable by installment of \$50,000 each month commencing on date of signing (paid).

The Company acquired the intangible asset to develop advancements in the platform to be compatible with various operating systems.

During the year ended December 31, 2018, the Company determined that the recoverable amount of software was less than their carrying value. Accordingly, the Company recorded an impairment of \$516,507 on the asset.

During the year ended December 31, 2019, the Company reassessed for impairment and determined that the recoverable amount of software is less than the carrying value. Accordingly, the Company recorded an impairment charge of \$815,043.

- b) On August 29, 2018, the Company entered into a purchase agreement to acquire the rights, title and interest of certain assets of Quilmont LLC ("Quilmont"), a software development technology and solutions provider, for a consideration of 4,100,000 common shares of the Company at a fair value of \$935,306 (Note 10). The Company received net assets of \$19,734

For accounting purposes, the assets acquired were considered to be a business acquisition under IFRS 3 *Business Combinations* ("IFRS 3"). As such, the difference between the fair value of consideration paid and the fair value of the Company's identifiable assets and liabilities was recognized as goodwill.

The acquisition cost was allocated as follows:

Cash and cash equivalents	\$	17,214
Accounts receivables		2,520
Intangible - customer list		661,611
Goodwill		253,961
Total	\$	935,306

The recoverable amount is the higher of (i) an asset's or CGU's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test for the Company's single CGU, the Company measured the value-in-use of the CGU using certain key management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the financial budget reviewed by the Board of Directors plus a terminal value using a terminal growth rate. The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate of 10% which reflects the Company's weighted average cost of capital.

The fair value less costs to sell, primarily based on the Company's market capitalization as at December 31, 2018, exceeded the net carrying amount of the CGU.

The fair value less costs, primarily based on the Company's market capitalization as at December 31, 2019, were less than the net carrying amount of the CGU. The annual impairment test of goodwill was performed on December 31, 2019 and the Company recorded an impairment loss of \$253,961 (December 31, 2018 - \$Nil) on the goodwill and an impairment charge of \$396,967 on the intangible.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

8. EQUIPMENT

	Computer Equipment
Cost:	
At December 31, 2017	\$ —
Additions	20,757
At December 31, 2018	20,757
Additions	27,918
At December 31, 2019	\$ 48,675
Accumulated amortization:	
At December 31, 2017	\$ —
Amortization	1,778
At December 31, 2018	1,778
Amortization	18,300
At December 31, 2019	\$ 20,078
Net book value:	
At December 31, 2018	\$ 18,979
At December 31, 2019	\$ 28,597

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Trade payables (Note 11)	\$ 100,878	\$ 159,658
Accrued liabilities	6,880	31,542
	\$ 107,758	\$ 191,200

10. SHARE CAPITAL

a) Authorized share capital

Unlimited common shares without par value

Unlimited Class A convertible restricted voting common shares without par value ("Restricted Shares").

The Restricted Shares entitles the holder to receive notice to attend and vote at meetings, however, it prohibits the shareholder from voting for the election or removal of directors of the Company. Each Restricted Share shall be convertible into 1 common share, without payment of additional consideration, at the option of the holder thereof as follows:

- (i) at any time that is not a Restricted Period¹ or with the consent of the board of directors;
- (ii) if the Company determines that it has ceased to be a foreign issuer for the purposes of United States securities laws, and has notified the holders of the Restricted Shares of such determination;
- (iii) if there is an offer to purchase the common shares, and the Issuer has notified the holders of the Restricted Shares of such offer and commencing on the date the offer is made until completion or termination of such offer.

¹ - "Restricted Period" means any time at which the board of directors reasonably believes that the Company is a domestic issuer under applicable United States securities laws or would become a domestic issuer as a result of the issuance of Common Shares upon the conversion of Restricted Voting Common Shares.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements
December 31, 2019
(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd)

b) Issued

During the year ended December 31, 2019, the Company:

- (i) cancelled and returned 120,874 common shares to treasury forfeited by two shareholders. No consideration was exchanged for this forfeiture.
- (ii) issued a total of 1,863,000 common shares on the conversion of 1,863,000 Restricted Shares. The Company reallocated a value of \$311 on the conversion of these shares.
- (iii) issued 1,000,000 common shares at a fair value of \$41,940 as consideration for consulting services.

During the year ended December 31, 2018, the Company:

- (i) completed a private placement of 9,983,884 subscription receipts at a price of CAD\$0.54 per subscription receipt for total proceeds of \$4,108,120. The Company paid \$427,302 in share issuance costs for agent's commission, legal and transfer agent costs. The Company also issued 686,255 agent's warrants. Each agent's warrant is exercisable at a price of CAD\$0.54 per common share until May 24, 2020. Accordingly, the fair value of the warrants of \$175,019 was recorded in the reserve account.
- (ii) in accordance with the RTO (Note 4), FogChain completed a consolidation of its common shares on a basis of 1.66 to 1 and issued 45,353,884 common shares and 18,630,000 restricted shares to acquire all the issued and outstanding shares of Fog Inc.

Concurrent with the completion of the RTO (Note 4), the Company issued 3,750,000 common shares to the finders of the Company's acquisition of Fog Inc. The fair value of these common shares of \$1,570,793 was recorded as a listing expenses during the year ended December 31, 2018.

- (iii) issued an aggregate of 240,451 common shares, at a fair value of \$100,720 for a debt settlement. Of this amount, 207,927 common shares, at a fair value of \$87,096, were issued for settlement of outstanding payables of \$87,096 and 32,524 common shares, at a fair value of \$13,624, as consideration to a waiver of a voting support agreement.
- (iv) issued 9,000,000 common shares on conversion of convertible debentures of \$400,000. The convertible debentures were non-interest bearing with a maturity term of 12 months and were automatically converted into common shares on completion of the RTO on May 24, 2018.
- (v) issued 10,000,000 common shares, at a fair value of \$2,969,890, pursuant to the RadJav Purchase Agreement (Note 7).
- (vi) issued 4,100,000 common shares, at a fair value of \$935,306, to Quilmont (Note 7).
- (vii) issued 1,000,000 common shares, at a fair value of \$97,825, to AppMark Inc. ("AppMark") pursuant to a purchase agreement dated November 27, 2018 with AppMark to acquire an application monitoring and benchmark platform, "AppMon", and other related assets. The Company also paid a cash payment of \$40,000 as consideration for the purchase. There was no identifiable asset to which the consideration was attributable. As such, the Company recorded the consideration as share-based compensation and software costs, respectively.
- (viii) issued 180,000 common shares at a fair value of \$11,259 to a company providing consulting services to the Company.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements
December 31, 2019
(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd)

c) Escrow shares

18,630,000 Restricted Shares and 3,240,000 common shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements over a period of 36 months. As at December 31, 2019, 8,383,500 Restricted Shares and 1,458,000 common shares are held within escrow.

d) Reserve

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

e) Stock options and warrants

The Company maintains a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options as determined by the Board of Directors.

There were no option grants during the year ended December 31, 2019.

During the year ended December 31, 2018, the Company granted an aggregate of 1,920,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.28 per share expiring on October 1, 2022. The stock options granted are subject to vesting terms over a 2 year period. During the year ended December 31, 2019, the Company recorded \$133,790 (2018 - \$89,671) in share-based compensation for stock options that vested during the current year.

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2017	-	CAD\$ -	-	CAD\$ -
Granted	1,920,000	CAD\$ 0.28	686,255	CAD\$ 0.54
Forfeited	(11,250)	CAD\$ 0.28	-	CAD\$ -
Outstanding, December 31, 2018	1,908,750	CAD\$ 0.28	686,255	CAD\$ 0.54
Forfeited	(1,250)	CAD\$ 0.28	-	CAD\$ -
Outstanding, December 31, 2019	1,907,500	CAD\$ 0.28	686,255	CAD\$ 0.54
Number currently exercisable	953,750	CAD\$ 0.28	686,255	CAD\$ 0.54

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements
December 31, 2019
(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd)

e) Stock options and warrants (cont'd)

As at December 31, 2019, the following stock options and share purchase warrants were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	October 1, 2022	1,907,500	CAD\$ 0.28	2.75 years
Warrants	May 24, 2020	686,255	CAD\$ 0.54	0.40 years

11. RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the year ended December 31, 2019 and 2018, the remuneration of the key management personnel were as follows:

December 31,		2019		2018
Chief Executive Officer	\$	192,000	\$	117,000
VP Product Marketing & Corporate Secretary		155,000		91,667
Chief Strategy Officer		185,000		40,000
Total	\$	532,000	\$	248,667

Other related party transactions and balances

- (i) The Company leases office space on a month to month basis from Newton Energy, Inc. ("Newton"), a company with a common director and shareholder, James Cerna, for a monthly rent of \$1,500 plus \$210 in telecommunication services, reduced from \$3,000 plus \$420 in telecommunication services, effective January 1, 2019.

During the year ended December 31, 2019, the Company paid a total of \$20,520 (2018 - \$41,460) in rent and telecommunications charges. As at December 31, 2019, \$8,550 (December 31, 2018 - \$Nil) was owed to Newton. This amount was included in trade payables and accrued liabilities.

- (ii) As at December 31, 2019, \$93,614 (December 31, 2018 - \$Nil) was owed to James Cerna for accrued salaries and bonuses.
- (iii) As at December 31, 2019, \$Nil (December 31, 2018 - \$200) was owed to Anthony Cerna, officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities. In addition, as at December 31, 2019, \$75,131 (December 31, 2018 - \$Nil) was owed to Anthony Cerna for accrued salaries and bonuses.
- (iv) As at December 31, 2019, \$Nil (December 31, 2018 - \$930) was owed to Patrick Quilter, director and officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities. In addition, as at December 31, 2019, \$60,000 (December 31, 2018 - \$Nil) was owed to Patrick Quilter for accrued bonuses.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

12. COMMITMENTS

On June 1, 2018, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD\$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.

On February 1, 2019, the Company entered into a commercial lease agreement for office space in South Carolina for a period of one year in exchange for a fixed monthly fee of \$800. There are no specified terms of renewal on the lease. Subsequent to the expiry of the lease, the Company continued to rent the office space on a month to month term.

13. SEGMENTED INFORMATION

The Company operates in two industry segments, being project development services and support and maintenance services.

December 31,	2019	2018
Sales for the year		
Project development	\$ 34,380	\$ 12,875
Support and maintenance	17,754	181,470
Consulting	786,723	-
	<u>\$ 838,857</u>	<u>\$ 194,345</u>

14. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27% (2018 - \$27%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2019	2018
Loss before income taxes	\$ (4,133,893)	\$ (6,495,346)
Expected income tax at statutory tax rates	\$ (1,210,000)	\$ (1,837,000)
Permanent difference	524,000	729,000
Change in statutory, foreign tax, foreign exchange rates and other	423,000	896,000
Adjustments and change in unrecognized deductible temporary differences	263,000	212,000
Total income tax expense	\$ -	\$ -

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

14. INCOME TAXES (Cont'd)

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2019	Expiry dates	2018	Expiry dates
Share issue costs	\$ 389,000	2023	\$ 518,000	2023
Non-capital losses	7,952,000	2028 to 2038	5,416,000	2028 to 2038
Capital assets	(99,000)	No expiry	2,566,000	No expiry
Canadian eligible capital	122,000	No expiry	127,000	No expiry
Exploration and evaluation assets	1,726,000	No expiry	1,726,000	No expiry
Allowable capital losses	19,618,000	No expiry	19,618,000	No expiry
	<u>\$ 29,708,000</u>		<u>\$ 29,971,000</u>	

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with reputable US and Canadian banks. Therefore, credit risk is assessed as low.

The Company's secondary exposure to credit risk is on its receivables. The Company has credit risk as it relates to the collection of its receivables. Current receivables are due from two customers consisting of 89% and refundable Canadian government sales taxes consisting of the remaining 11% of total receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long term obligations as and when they fall due.

As at December 31, 2019, the Company had working capital of \$138,395 (December 31, 2018 – \$1,693,571).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

FOGCHAIN CORP.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in US Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

(c) Foreign currency risk (Cont'd)

As at December 31, 2019, the Company had net financial liabilities of CAD\$88,890. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$6,844.

(d) Price risk

Price risk is the risk that the revenue will change due to the change in the prices. The Company is not exposed to price risk.

16. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns and benefits to shareholders. The capital structure of the Company consists of equity comprised of issued share capital and any debt that it may issue.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There was no change to the capital management from the prior year.

17. PROPOSED TRANSACTION

Pursuant to the Share Exchange Agreement, all of the issued and outstanding common shares in the capital of CTS (the "CTS Shares") will be exchanged for common shares in the capital of the Company which will result in CTS becoming a wholly-owned subsidiary of the Company (Note 1). The proposed transaction, is an arm's length transaction and would constitute a fundamental change of the Company within the meaning of the policies of the CSE

Upon completion of the proposed transaction, the current shareholders of the Company will retain approximately 23% of the issued and outstanding share capital of the resulting issuer. The resulting issuer, upon completion of the proposed transaction, will change its name to some other name as acceptable to the parties and will operate the current business of CTS.

Effective on the closing of the proposed transaction it is anticipated that the current members of the board of directors of the Company and the current management of the Company will resign and be replaced by nominees to the board appointed by CTS and the existing management team of CTS will replace the current management of the Company.

Completion of the proposed transaction is subject to a number of conditions, including but not limited to execution of a Definitive Agreement, completion of due diligence; and receipt of all required regulatory, corporate and third-party approvals, the fulfillment of all applicable regulatory requirements and conditions necessary to complete the proposed transaction.



FOGCHAIN CORP.
(Formerly Mukuba Resources Limited)

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017
(Expressed In US Dollars)



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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FogChain Corp. (formerly Mukaba Resources Limited),

Opinion

We have audited the consolidated financial statements of FogChain Corp. (formerly Mukaba Resources Limited) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of \$6,495,346 during the year ended December 31, 2018. As stated in Note 1, this events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on April 5, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2019

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Consolidated Statements of Financial Position

(Expressed in US Dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents	5	\$ 1,801,412	\$ 353,462
Receivables	6	65,128	-
Prepays		18,230	-
		<u>1,884,771</u>	<u>353,462</u>
Intangible assets	7	2,159,375	-
Goodwill	7	253,961	-
Equipment	8	18,979	-
		<u>2,432,315</u>	<u>-</u>
		<u>\$ 4,317,086</u>	<u>\$ 353,462</u>
LIABILITIES			
Trade payables and accrued liabilities	9	\$ 191,200	\$ 13,774
Due to related party	12	-	7,560
Convertible debenture	10	-	400,000
		<u>191,200</u>	<u>421,334</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	11	10,437,855	9,025
Reserve	11	264,690	-
Subscription receipts		-	(110)
Accumulated other comprehensive loss		(4,526)	-
Deficit		<u>(6,572,133)</u>	<u>(76,787)</u>
		<u>4,125,886</u>	<u>(67,872)</u>
		<u>\$ 4,317,086</u>	<u>\$ 353,462</u>

Nature and Continuation of Operations (Note 1)

Reverse Takeover of FogChain Inc. (Note 4)

Commitment (Note 13)

Subsequent Event (Note 18)

Approved on behalf of the board of directors:

"James Cerna"

James Cerna, Director

"Zachary Dymala-Dolesky"

Zachary Dymala-Dolesky, Director

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)

		Year Ended December 31,	
	Note	2018	2017
Sales	14	\$ 194,345	\$ -
Cost of sales		93,482	-
GROSS PROFIT		100,863	-
Operating expenses			
Amortization	7,8	1,207,397	-
Consulting fees	11	261,558	-
Marketing		118,258	-
Office and administration	12	232,782	20,261
Professional fees		635,361	18,006
Regulatory and transfer agent fees		39,576	-
Rent and utilities	12	42,426	36,000
Salaries and benefits		488,416	-
Share-based compensation	11	89,671	-
Share-based payments	11	111,204	-
Software costs	7	147,692	-
Travel		25,473	-
		3,399,814	74,267
NET LOSS BEFORE OTHER ITEMS		(3,298,951)	(74,267)
Other items			
Impairment of intangibles	7	(516,507)	-
Interest income		6,513	-
Listing expense	4	(2,686,401)	-
		(3,196,395)	-
NET LOSS FOR THE YEAR		(6,495,346)	(74,267)
Other comprehensive loss that may be reclassified to profit and loss			
Unrealized foreign exchange loss		(4,526)	-
		(4,526)	-
COMPREHENSIVE LOSS FOR THE YEAR		\$ (6,499,872)	\$ (74,267)
Loss per common share			
-basic and diluted		\$ (0.10)	\$ (0.00)
Weighted average number of common shares outstanding			
-basic and diluted		62,378,465	54,000,000

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Consolidated Statements of Shareholders' Equity (Deficiency)

(Expressed in US Dollars)

Share Capital											
Note	Number of Common Shares	Amount	Number of Class A Restricted Common Shares	Amount	Reserve	Subscription receipts	AOI	Deficit	Total shareholders ' equity (deficiency)		
Balance at December 31, 2016		54,000,000	\$ 9,000	-	\$ -	\$ -	\$ (9,000)	\$ -	\$ (2,520)	\$	(2,520)
Shareholder contribution	11	-	25	-	-	-	-	-	-		25
Subscription receipts		-	-	-	-	8,890	-	-	-		8,890
Net loss for the year		-	-	-	-	-	-	(74,267)	-		(74,267)
Balance at December 31, 2017		54,000,000	9,025	-	-	-	(110)	-	(76,787)		(67,872)
Shares issued for cash	11	9,983,884	4,108,120	-	-	-	110	-	-		4,108,230
Shares reallocated as Class A convertible voting	11	(18,630,000)	(3,105.00)	18,630,000	3,105	-	-	-	-		-
Share issuance costs	11	-	(427,302)	-	-	-	-	-	-		(427,302)
Fair value of warrants	11	-	(175,019)	-	-	175,019	-	-	-		-
Recapitalization transaction:											
Equity of FogChain	4,11	3,318,051	837,238	-	-	-	-	-	-		837,238
Share consolidation	4,11	(1,319,288)	-	-	-	-	-	-	-		-
Shares issued for finder's fee	4,11	3,750,000	1,570,793	-	-	-	-	-	-		1,570,793
Shares issued on debt settlement	11,12	240,451	100,720	-	-	-	-	-	-		100,720
Shares issued on convertible notes	10,11	9,000,000	400,000	-	-	-	-	-	-		400,000
Shares issued on asset acquisition	7,11	15,100,000	4,003,021	-	-	-	-	-	-		4,003,021
Share-based payment	11	180,000	11,259	-	-	-	-	-	-		11,259
Share-based compensation	11	-	-	-	-	89,671	-	-	-		89,671
Net loss for the year		-	-	-	-	-	-	(6,495,346)	-		(6,495,346)
Other comprehensive income		-	-	-	-	-	(4,526)	-	-		(4,526)
Balance at December 31, 2018		75,623,098	\$ 10,434,750	18,630,000	\$ 3,105	\$ 264,690	\$ -	\$ (4,526)	\$ (6,572,133)	\$	4,125,886

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)
Consolidation Statements of Cash Flows
(Expressed in US Dollars)

	For the year ended December 31,	
	2018	2017
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (6,495,346)	\$ (74,267)
Items not involving cash:		
Amortization	1,207,397	-
Share-based compensation	89,671	-
Share-based payments	122,708	-
Listing expense	2,518,643	-
Impairment of intangibles	516,507	-
	(2,040,420)	(74,267)
Changes in non-cash operating working capital items:		
Receivables	(61,281)	-
Prepays	(18,230)	-
Trade payables and accrued liabilities	151,696	13,774
Due to related party	(7,560)	5,040
	(1,975,795)	(55,453)
Investing		
Acquisition of intangible assets	(250,000)	-
Acquisition of equipment	(20,757)	-
Cash acquired on acquisition of Quilmont	17,214	-
	(253,543)	-
Financing		
Net cash acquired on reverse takeover	886	-
Proceeds from issuance of convertible notes	-	400,000
Shareholder contribution	-	25
Proceeds from issuance of shares, net	3,680,818	-
Subscription receipts	110	8,890
	3,681,814	408,915
Effect of foreign exchange on cash flows	(4,526)	-
Change in cash and cash equivalents during the year	1,447,950	353,462
Cash and cash equivalents, beginning of year	353,462	-
Cash and cash equivalents, end of year	\$ 1,801,412	\$ 353,462

Supplemental cash flow information:

Significant non-cash transactions for the year ended December 31, 2018 included:

- A fair value of \$3,905,196 on common shares issued for the acquisition of intangible assets (Note 7);
- A fair value of \$97,825 on common shares issued for the acquisition of software (Note 7);
- A fair value of \$11,259 on common shares issued for consulting services (Note 11);
- A fair value of \$175,019 on agent's warrants recorded in share issuance costs. (Note 11); and
- A conversion of \$400,000 convertible debentures for 9,000,000 common shares (Note 10).

Significant non-cash transactions for the year ended December 31, 2017 included a fair value of \$9,000 on share issuance of 9,000 common shares in exchange for promissory notes.

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

FogChain Corp. (formerly Mukuba Resources Limited) ("FogChain" or the "Company") was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario)*.

The Company's head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 4400-181 Bay street, Toronto, Ontario M5J 2T3.

On May 24, 2018, the Company completed a reverse takeover transaction (the "RTO"), which was effected pursuant to a merger agreement between Mukuba Resources Limited ("Mukaba") and FogChain Inc. ("Fog Inc."), a private company existing under the laws of Delaware with its head office in San Carlos, California. See Note 4.

As part of the transaction, the Company changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSX Venture Exchange effective May 28, 2018, and commenced trading its shares on the Canadian Securities Exchange ("CSE") on May 29, 2018, under the symbol FOG. On September 4, 2018, the Company's common shares were listed on the OTCQB trading under the symbol FOGCF.

FogChain is a fully integrated, end-to-end software development life cycle (SDLC) and quality assurance solutions provider. FogChain's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. FogChain's Build-Once-Deploy-Everywhere software architecture provides developers with a suite of tools to build, test, and monitor exciting new applications in a unified environment.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to fully develop its software development Blockchain platform. At December 31, 2018, the Company has an accumulated deficit of \$6,572,133 (December 31, 2017 - \$76,787) including a loss for the year ended December 31, 2018 of \$6,495,346 (December 31, 2017 - \$74,267). These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

The consolidated financial statements were authorized for issue on April 30, 2019 by the directors of the Company.

2. BASIS OF PRESENTATION

Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

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

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

2. BASIS OF PRESENTATION (cont'd)

Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, modified where applicable. The consolidated financial statements are presented in US Dollars unless otherwise noted.

These consolidated financial statements include accounts of the Company and its wholly owned subsidiary, Fog Inc.

The consolidated financial statements include the accounts of Mukuba from May 24, 2018, the date of the RTO. The financial statements prior to this date include only the accounts of Fog Inc. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Fog Inc. uses the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

Recognition and valuation of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Research and development costs

Evaluating whether or not costs incurred by the Company in developing its technology meet the criteria for capitalizing as intangible assets. Management determined that some products are able to complete intangible assets and are able, with sufficient certainty, to demonstrate that assets will generate future economic benefits. Development costs of these products are capitalized at cost value. Research and development costs of other products are recognized as period expense.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. The Company recognizes revenues when services are completed and billed.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the year ended December 31, 2018, other comprehensive income is related to the effects of currency translation adjustments.

Reverse takeover

Refer to Note 4 for disclosure on the reverse takeover Transaction, which included estimates on the fair value of consideration paid, along with an assessment of fair value of net assets acquired.

Business combination

Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, than when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- a) The identifiable assets acquired and liabilities assumed;
- b) The consideration transferred in exchange for an interest in the acquiree;
- c) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Estimates of useful lives of property and equipment and intangible assets

Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Cash generating units and impairment of non-financial assets

Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short-term highly liquid investments with original maturities of three months or less.

Foreign currency translation

The financial statements are presented in US dollars.

The functional currency for the Company is the Canadian dollar and the functional currency for Fog Inc. is the US dollar.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in profit or loss. All resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Loss.

Intangibles and equipment

Intangible assets and equipment are recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated over the estimated useful lives as follows:

Computer equipment	2 to 3 years	Straight-line method
Software	3 years	Straight-line method
Customer list	5 years	Straight-line method

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets and liabilities acquired. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination.

Business combination

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired. Business combinations are accounted for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company. Acquisition costs in connection with a business combination are expensed as incurred. Those costs include finder's fees, professional fees, consulting fees and general administrative costs.

Impairment

The Company reviews the carrying amounts of its non-financial assets, including equipment and intangible assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Fair value less costs of disposal is estimated using recent market prices for similar items that would be received in an orderly transaction between market participants at the measurement date. If the recoverable amount of an asset or cash generating unit is reduced to its recoverable amount, an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

Income tax expense is comprised of current and deferred tax components.

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date. Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

Warrants

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Share-based compensation

The Company has a share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model, if the fair value of the goods or services received cannot be readily measured.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based compensation expense with a corresponding credit to equity reserves. When stock options are exercised, the proceeds, together with the amount recorded in equity reserves, are recorded in share capital.

Financial instruments

As at January 1, 2018, the Company adopted all of the requirements of IFRS 9, which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is substantially unchanged.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	<i>Original classification IAS 39</i>	<i>New classification IFRS 9</i>
Financial assets		
Cash and cash equivalents	Financial assets - FVTPL	Financial assets - FVTPL
Receivables	Loans and receivables - amortized cost	Amortized cost
Financial liabilities		
Trades payables and accrued liabilities	Other financial liabilities - amortized cost	Amortized cost

The following are new accounting policies for financial assets under IFRS 9.

The Company classifies its financial assets in one of the following categories: (1) financial assets at fair value through profit or loss ("FVTPL"), (2) at amortised cost or (3) financial assets at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss in the period in which they arise.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets at FVTPL

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company's financial instruments at December 31, 2018 are as follows:

	<i>Amortized cost</i>		<i>FVTPL</i>		<i>FVTOCI</i>
Financial assets					
Cash and cash equivalents	\$	–	\$	1,801,412	\$ –
Receivables	\$	65,128	\$	–	\$ –
Financial liabilities					
Accounts payables	\$	191,200	\$	–	\$ –

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables and accounts payables approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of comprehensive loss. Impairment losses on financial assets carried at amortized cost, including receivables, are calculated as the difference between the amortized cost of the receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Earnings/loss per share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the reporting period.

Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

Revenues

The Company generates revenues by providing fully integrated, end-to-end software development life cycle and quality assurance solutions. The Company's suite of services and technology provides application development at scale with greater speed, efficiency and at a lower cost. Revenues from IT support services are recognized when services are provided and billed.

On January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers. The new standard includes a five step recognition and measurement approach for revenue arising from contracts with customers, and includes new requirements for accounting for contract costs. Revenues arising from financial instruments within the scope of IFRS 9 – Financial Instruments, specifically interest revenue, are excluded from the scope of IFRS 15. All other revenue streams are included within the scope of IFRS 15.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various International Financial Reporting Interpretative Committee ("IFRIC") and Standards Interpretations Committee ("SIC") interpretations regarding revenue.

The adoption of this standard did not have any significant impact on the Company's consolidated financial statements. During the year ended December 31, 2018, the Company generated total sales of \$194,345 for IT development and support services.

New accounting pronouncements

At the date of authorization of these consolidated financial statements, certain new standards, and amendments to existing standards have been issued by the IASB and effective for reporting periods beginning on or after January 1, 2019.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting pronouncements (cont'd)

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations, and amendments either not adopted or listed below, are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 16 "Leases"

In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the consolidated statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Company's management is currently assessing the impact of IFRS 16 on these consolidated financial statements. All leases the Company has entered into are currently classified as operating leases, under which lease payments are expensed on a straight-line basis over the term of the lease.

4. REVERSE TAKEOVER OF FOGCHAIN INC.

On May 24, 2018, the Company completed an RTO transaction with Fog Inc. (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of Fog Inc.

Prior to the completion of the RTO, FogChain completed a consolidation of its shares on a basis of 1.66 to 1. Pursuant to the RTO, the Company issued an aggregate of 45,353,884 common shares and 18,630,000 Class A convertible restricted voting shares (the "restricted shares") of the Company in exchange for all of the issued and outstanding shares of Fog Inc. Upon closing of the transaction, the shareholders of Fog Inc. owned 96% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Fog Inc.

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of Fog Inc. obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entity are issued under the legal parent, FogChain, but are considered a continuation of the financial statements of the legal subsidiary, Fog Inc.
- (ii) As Fog Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

4. REVERSE TAKEOVER OF FOGCHAIN INC. (cont'd)

- (iii) Since the shares allocated to the former shareholders of FogChain on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of FogChain acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 3,318,051 common shares for all of FogChain was determined to be \$837,238 or \$0.42 per common share.

- (iv) The fair value of all the consideration given and charged to listing expense was comprised of:

Fair value of the common shares at RTO Date	\$	837,238
Identifiable assets acquired – At May 24, 2018		
Cash	\$	886
Receivables		1,327
Trade payables		(112,826)
		(110,613)
Unidentified assets acquired		
Listing expense		947,850
Total net identifiable assets and transaction costs	\$	837,238

- (v) The Company paid a finder's fee of 3,750,000 shares at the completion of the RTO. Accordingly, the Company recorded the fair value of \$1,570,793 as a listing expense (Note 11). The Company incurred additional listing expenses of \$167,758.

5. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash at bank	\$ 1,638,177	\$ 353,462
Short-term investments	163,235	-
	\$ 1,801,412	\$ 353,462

6. RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	\$ 62,345	\$ -
Goods and services tax recoverable	2,783	-
	\$ 65,128	\$ -

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

7. INTANGIBLE ASSETS

	Software ^(a)	Customer List ^(b)	Goodwill ^(b)	Total
Acquisition costs:				
Balance, December 31, 2016 and 2017	\$ -	\$ -	\$ -	\$ -
Additions	3,219,890	661,611	253,961	4,135,462
Impairment	(516,507)	-	-	(516,507)
Balance, December 31, 2018	\$ 2,703,383	\$ 661,611	\$ 253,961	\$ 3,618,955
Accumulated amortization:				
Balance, December 31, 2016 and 2017	\$ -	\$ -	\$ -	\$ -
Amortization for the year	1,073,297	132,322	-	1,205,619
Balance, December 31, 2018	\$ 1,073,297	\$ 132,322	\$ -	\$ 1,205,619
Total, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Total, December 31, 2018	\$ 1,630,086	\$ 529,289	\$ 253,961	\$ 2,413,336

a) On June 1, 2018, the Company entered into a computer software assignment and asset purchase agreement ("RadJav Purchase Agreement") to acquire the RadJav rapid application development platform ("RadJav") and other related assets from Higher Edge Software, LLC. The Company issued payment under the following terms of the acquisition:

- (i) 10,000,000 common shares of the Company with a fair value of \$2,969,890 (Note 11) (issued); and
- (ii) Aggregate cash payment of \$250,000 payable by installment of \$50,000 each month commencing on date of signing (paid).

The Company acquired the intangible asset to develop advancements in the platform to be compatible with various operating systems.

The Company tests assets for impairment when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was done on the recoverable amount.

During the annual review, the Company determined that the recoverable amount of software was less than their carrying value. Accordingly, at December 31, 2018, the Company recorded an impairment of \$516,507 on the asset.

b) On August 29, 2018, the Company entered into a purchase agreement to acquire the rights, title and interest of certain assets of Quilmont LLC ("Quilmont"), a software development technology and solutions provider, for a consideration of 4,100,000 common shares of the Company at a fair value of \$935,306 (Note 11). The Company received net assets of \$19,734

For accounting purposes, the assets acquired was considered to be a business acquisition under IFRS 3 *Business Combinations* ("IFRS 3"). As such, the difference between the fair value of consideration paid and the fair value of the Company's identifiable assets and liabilities has been recognized as goodwill.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

7. INTANGIBLE ASSETS (cont'd)

b) (cont'd)

The acquisition costs was allocated as follows:

Cash and cash equivalents	\$ 17,214
Accounts receivables	2,520
Intangible - customer list	661,611
Goodwill	253,961
Total	\$ 935,306

The annual impairment test of goodwill and was performed on December 31, 2018 and did not result in any impairment loss.

The recoverable amount is the higher of (i) an asset's or CGU's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test for the Company's single CGU, the Company measured the value-in-use of the CGU using certain key management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the financial budget reviewed by the Board of Directors plus a terminal value using a terminal growth rate. The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate of 10% which reflects the Company's weighted average cost of capital. The fair value less costs to sell, primarily based on the Company's market capitalization as at December 31, 2018, also exceeded the net carrying amount of the CGU.

c) On November 27, 2018, the Company entered into a purchase agreement with AppMark Inc. ("AppMark") to acquire an application monitoring and benchmark platform, "AppMon", and other related assets. The Company issued payment under the following terms of the acquisition:

- i) 1,000,000 common shares of the Company at a fair value of \$97,825 (Note 11) (issued); and
- ii) cash payment of \$40,000 (paid).

There was no identifiable asset to which the consideration was attributable. As such, the Company recorded the consideration as share based compensation and software costs, respectively.

8. EQUIPMENT

	Computer Equipment
Cost:	
At December 31, 2016 and 2017	\$ -
Acquisition	20,757
At December 31, 2018	\$ 20,757
Accumulated amortization:	
At December 31, 2016 and 2017	\$ -
Amortization	1,778
At December 31, 2018	\$ 1,778
Net book value:	
At December 31, 2017	\$ -
At December 31, 2018	\$ 18,979

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	2018	2017
Trade payables (Note 12)	\$ 159,658	\$ 13,774
Accrued liabilities	31,542	-
	\$ 191,200	\$ 13,774

10. CONVERTIBLE DEBENTURE

On December 19, 2017, Fog Inc. received \$400,000 in convertible debenture subscriptions. The convertible debentures were non-interest bearing with a maturity term of 12 months and were automatically converted into common shares on completion of the RTO on May 24, 2018 (Note 4 and 11).

11. SHARE CAPITAL

a) Authorized share capital

Unlimited common shares without par value

Unlimited Class A convertible restricted voting common shares without par value ("Restricted Shares").

The Restricted Shares entitles the holder to receive notice to attend and vote at meetings, however, it prohibits the shareholder from voting for the election or removal of directors of the Company. Each Restricted Share shall be convertible into 1 common share, without payment of additional consideration, at the option of the holder thereof as follows:

- (i) at any time that is not a Restricted Period¹ or with the consent of the board of directors;
- (ii) if the Company determines that it has ceased to be a foreign issuer for the purposes of United States securities laws, and has notified the holders of the Restricted Shares of such determination;
- (iii) if there is an offer to purchase the common shares, and the Issuer has notified the holders of the Restricted Shares of such offer and commencing on the date the offer is made until completion or termination of such offer.

¹ - "Restricted Period" means any time at which the board of directors reasonably believes that the Company is a domestic issuer under applicable United States securities laws or would become a domestic issuer as a result of the issuance of Common Shares upon the conversion of Restricted Voting Common Shares.

b) Issued

During the year ended December 31, 2018, the Company completed the following transactions:

- (i) The Company completed a private placement of 9,983,884 subscription receipts at a price of CAD\$0.54 per subscription receipt for total proceeds of \$4,108,120. The Company paid \$427,302 in share issuance costs for agent's commission, legal and transfer agent costs. The Company also issued 686,255 agent's warrants. Each agent's warrant is exercisable at a price of CAD\$0.54 per common share until May 24, 2020. Accordingly, the Company recorded a fair value of \$175,019 in reserve.
- (ii) On May 24, 2018, in accordance with the RTO (Note 4), FogChain completed a consolidation of its common shares on a basis of 1.66 to 1 and issued 45,353,884 common shares and 18,630,000 restricted shares to acquire all the issued and outstanding shares of Fog Inc.

Concurrent with the completion of the RTO (Note 4), the Company issued 3,750,000 common shares to the finders of the Company's acquisition of Fog Inc. The fair value of these common shares of \$1,570,793 was recorded as a listing expenses during the year ended December 31, 2018.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

11. SHARE CAPITAL (cont'd)

b) Issued (cont'd)

- (iii) Issued an aggregate of 240,451 common shares, at a fair value of \$100,720 for a debt settlement. Of this amount, 207,927 common shares, at a fair value of \$87,096, were issued for settlement of outstanding payables of \$87,096 (Note 12) and 32,524 common shares, at a fair value of \$13,624, as consideration to a waiver of a voting support agreement.
- (iv) Issued 9,000,000 common shares on conversion of convertible debentures of \$400,000 (Note 10).
- (v) Issued 10,000,000 common shares, at a fair value of \$2,969,890, pursuant to the RadJav Purchase Agreement (Note 7).
- (vi) Issued 4,100,000 common shares, at a fair value of \$935,306, to Quilmont (Note 7).
- (vii) Issued 1,000,000 common shares, at a fair value of \$97,825, to AppMark (Note 7).
- (viii) Issued 180,000 common shares at a fair value of \$11,259 to a company providing consulting services to the Company.

During the year ended December 31, 2017, a shareholder contributed \$25 and there were no common shares issued.

c) Escrow shares

18,630,000 Restricted Shares and 3,240,000 common shares issued to the principals of the Company under the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 10% of the escrowed shares were released from escrow on May 24, 2018. The remaining 16,767,000 Restricted Shares and 2,916,000 common shares held within escrow will be released over a period of 36 months.

d) Reserve

The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

e) Stock options and warrants

The Company maintains a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options as determined by the Board of Directors.

During the year ended December 31, 2018, the Company granted an aggregate of 1,920,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.28 per share expiring on October 1, 2022. The stock options granted are subject to vesting terms over a 2 year period. During the year, the Company recorded \$89,671 in share based compensation.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

11. SHARE CAPITAL (cont'd)

e) Stock options and warrants (cont'd)

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2017	-	CAD\$ -	-	CAD\$ -
Granted	1,920,000	CAD\$ 0.28	686,255	CAD\$ 0.54
Forfeited	(11,250)	CAD\$ 0.28	-	-
Outstanding, December 31, 2018	1,908,750	CAD\$ 0.28	686,255	CAD\$ 0.54
Number currently exercisable	192,000	CAD\$ 0.28	686,255	CAD\$ 0.54

As at December 31, 2018, the following stock options and share purchase warrants were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	October 1, 2022	1,908,750	CAD\$ 0.28	3.75 years
Warrants	May 24, 2020	686,255	CAD\$ 0.54	1.40 years

The Company applied the fair value method in accounting for its stock options and share purchase warrants using the Black-Scholes Option Pricing Model using the following estimates:

December 31, 2018	Stock options	Warrants
Risk free rate	2.29%	1.95%
Expected dividend yield	0%	0%
Expected stock price volatility	121.31%	119.31%
Weighted average expected life	3.96 years	2 year
Weighted average fair value	CAD\$0.19	CAD\$0.33

12. RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the year ended December 31, 2018, the remuneration of the key management personnel were as follows:

	December 31, 2018	December 31, 2017
Chief Executive Officer	\$ 117,000	\$ -
VP Product Marketing & Corporate Secretary	91,667	-
Chief Strategy Officer	40,000	-
Total	\$ 248,667	\$ -

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

12. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

Other related party transactions and balances

- (i) The Company leases office space on a month to month basis from Newton Energy, Inc., a company with a common director and shareholder, James Cerna, for a monthly rent of \$3,000 plus \$420 in telecommunication services.

During the year ended December 31, 2018, the Company paid a total of \$41,460 (2017 - \$41,040) in rent and telecommunications charges.

As at December 31, 2018, the Company owed James Cerna, director and officer of the Company, \$Nil (December 31, 2017 - \$7,560) in expense reimbursements. This amount was included in due to related party.

- (ii) As at December 31, 2018, \$200 (2017 - \$Nil) was owed to Anthony Cerna, officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.
- (iii) As at December 31, 2018, \$930 (2017 – \$Nil) was owed to Patrick Quilter, director and officer of the Company for reimbursement of expenses. This amount was included in the trade payables and accrued liabilities.
- (iv) In connection to the purchase agreement dated August 29, 2018 (Note 7 and 11), 4,100,000 common shares were issued to Quilmont, a company wholly owned by Patrick Quilter, a director and officer of the Company.
- (v) The former Chief Executive Officer and former Chief Financial Officer of FogChain is a senior employee of Marrelli Support Services ("Marrelli"). During the year ended December 31, 2018, the Company issued 84,868 common shares to settle outstanding debt of \$45,829 due to Marrelli (Note 11).
- (vi) The Company's former legal counsel, Peterson McVicar LLP, was issued 123,059 common shares to settle outstanding debt of \$91,452 (Note 11).

13. COMMITMENT

On June 1, 2018, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of CAD\$10,000 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.

14. SEGMENTED INFORMATION

The Company operates in two industry segments, being project development services and support and maintenance services.

December 31,	2018	2017
Sales for the year		
Project development	\$ 12,875	\$ -
Support and maintenance	181,470	-
	<u>\$ 194,345</u>	<u>\$ -</u>

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

15. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27% (2017 - \$26.5%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2018	2017
Loss before income taxes	\$ (6,495,346)	\$ (74,267)
Expected income tax at statutory tax rates	\$ (1,837,000)	\$ (15,248)
Permanent difference	729,000	-
Change in statutory, foreign tax, foreign exchange rates and other	896,000	-
Adjustments and change in unrecognized deductible temporary differences	212,000	15,248
Total income tax expense	\$ -	\$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry dates	2017	Expiry dates
Share issue costs	\$ 518,000	2023	\$ -	No expiry
Non-Capital losses	5,416,000	2028 to 2038	77,000	2037
Capital assets	2,566,000	No expiry	-	No expiry
Canadian eligible capital	127,000	No expiry	-	No expiry
Exploration and evaluation assets	1,726,000	No expiry	-	No expiry
Allowable capital losses	19,618,000	No expiry	-	No expiry
	\$ 29,971,000		\$ 77,000	

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with reputable US and Canadian banks. Therefore, credit risk is assessed as low.

The Company's secondary exposure to credit risk is on its receivables. The Company has credit risk as it relates to the collection of its receivables. Current receivables are due from three customers consisting of 96% and refundable Canadian government sales taxes consisting of the remaining 4% of total receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long term obligations as and when they fall due.

FOGCHAIN CORP.

(Formerly Mukuba Resources Ltd)

Notes to Consolidated Financial Statements

December 31, 2018

(Expressed in US Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

As at December 31, 2018, the Company had working capital of \$1,693,571 (December 31, 2017 –working capital deficiency of \$67,872).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate to be minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at December 31, 2018, the Company had net financial assets of CAD\$139,047. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$10,192.

(c) Price risk

The Company is not exposed to price risk.

17. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns and benefits to shareholders. The capital structure of the Company consists of equity comprised of issued share capital and any debt that it may issue.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There was no change to the capital management from the prior year.

18. SUBSEQUENT EVENT

On January 8, 2019, the Company engaged a consultant to provide advisory services for strategic consulting matters and investor relations activities in exchange for total cash consideration of \$100,000 paid in equal quarterly payments and an aggregate of 2,000,000 common shares over a one year term.

SCHEDULE “C”

The *Pro Forma* Consolidated Financial Statements of the Resulting Issuer as at December 31, 2020

See attached.

FOGCHAIN CORP.
(to be renamed Avisa Diagnostics Inc.)

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020

(Unaudited and expressed in U.S. Dollars)

FOGCHAIN CORP.
(to be renamed Avisia Diagnostics Inc.)
Pro Forma Consolidated Statement of Financial Position
As of December 31, 2020
(Unaudited and expressed in U.S. Dollars)

Assets	FogChain \$	Avisia \$	Notes	<i>Pro Forma</i> Adjustments \$	Consolidated \$
Current Assets:					
Cash	110,002	438,840	4(b) 4(j)	693,336 (407,229)	834,949
Restricted cash	-	959,894	4(a)	(959,894)	-
Accounts receivable	994	-		-	994
Prepaid expenses	2,587	5,763		-	8,350
Total current assets	113,583	1,404,497		(673,787)	844,293
Deferred financing costs	-	-	4(i) 4(i)	1,610,317 785,423	2,395,740
Equipment	8,572	18,160		-	26,732
Other assets	-	3,528		-	3,528
Total non-current assets	-	21,688		2,395,740	2,426,000
Total assets	122,155	1,426,185		1,721,953	3,270,293
Current liabilities:					
Accounts payable	166,100	904,810	4(a) 4(k) 4(k)	(19,635) 23,563 (66,761)	1,008,077
Due to related parties	320,399	-		-	320,399
Government grant	8,000	-		-	8,000
GEM fee payable	-	-	4(i)	785,423	785,423
Interest payable	-	2,401,629	4(c)	(2,401,629)	-
Convertible debt	-	4,518,062	4(c)	(4,518,062)	-
Convertible debt derivative	-	523,570	4(c)	(523,570)	-
Senior notes	-	1,360,667	4(c)	(1,360,667)	-
Senior notes derivative	-	1,362,371	4(c)	(1,362,371)	-
Warrants liability	-	330,622	4(f)	(330,622)	-
Preferred shares	-	13,704,342	4(d)	(13,704,342)	-
Subscriptions received	-	1,109,123	4(a)	(1,109,123)	-
Total current liabilities	494,499	26,215,196		(24,587,796)	2,121,899
Promissory notes	-	684,561	4(a) 4(h) 4(h)	109,486 (684,561) 620,605	730,091
Government loan	153,441	-		-	153,441
Total liabilities	647,940	26,899,757		(24,542,266)	3,005,431
Stockholders' equity:					
Common stock	10,479,795	1,333	4(b) 4(c) 4(d) 4(k) 4(l) 4(l)	693,336 8,280,358 13,708,404 66,761 (7,646,239) 1,675,999	27,259,747
Series A Preferred Shares	-	2,384	4(c)	(2,384)	-
Series A-1 preferred shares	-	1,678	4(c)	(1,678)	-
Share premium	-	1,675,999	4(l)	(1,675,999)	-
Share compensation reserve	429,792	303,218	4(l)	3,335 (429,792)	306,553
Warrants reserve	-	-	4(f) 4(h) 4(i)	40,890 1,610,317	1,981,829

FOGCHAIN CORP.
(to be renamed Avisia Diagnostics Inc.)
Pro Forma Consolidated Statement of Financial Position
As of December 31, 2020
(Unaudited and expressed in U.S. Dollars)

Accumulated other comprehensive income	(13,584)	-	4(l)	13,584	-
			4(a)	59,378	
			4(c)	523,570	
			4(c)	1,362,371	
			4(h)	23,066	
			4(j)	(407,229)	
			4(k)	(23,563)	
Accumulated deficit	(11,421,788)	(27,458,184)	4(l)	8,059,112	(29,283,267)
Total stockholders' equity	(525,785)	(25,473,572)		26,264,219	264,862
Total liabilities and stockholders' equity	122,155	1,426,185		1,721,953	3,270,293

See accompanying notes to pro forma consolidated statement of financial position.

1. BASIS OF PRESENTATION

The unaudited *pro forma* consolidated statement of financial position of Avisia Diagnostics Inc. (the “Resulting Issuer”) as at December 31, 2020 has been prepared by management to present the *pro forma* consolidated financial position of FogChain Corp. (the “Company” or “FogChain”) and Avisia Pharma Inc. (“Avisia”) upon completion of the proposed merger between FogChain and Avisia (the “Merger”). The statement has been prepared taking into account, the assumptions described in the notes below.

The unaudited *pro forma* consolidated statement of financial position as at December 31, 2020 has given effect to the Merger as if it had occurred as at December 31, 2020.

The Resulting Issuer has not made and does not propose to make any significant acquisition or disposition requiring disclosure. The unaudited *pro forma* consolidated statement of financial position has been derived from:

- (a) The audited statement of financial position of Avisia as at December 31, 2020 and for the year then ended, for which the U.S. Dollar is the functional and reporting currency;
- (b) The audited consolidated statement of financial position of FogChain as at December 31, 2020 and for the year then ended, for which the U.S. Dollar is the reporting currency. The functional currency of FogChain is the Canadian dollar and the functional currency of FogChain’s wholly-owned subsidiary, Fog Inc., is the U.S. Dollar.

It is management’s opinion that the unaudited *pro forma* consolidated statement of financial position has included all adjustments required for the fair presentation in all material respects, events subsequent to December 31, 2020, the proposed transaction described in note 2 and adjustments described in note 3.

The unaudited *pro forma* consolidated statement of financial position has been prepared, using the accounting policies as set out in the audited financial statements of Avisia for the years ended December 31, 2020 and 2019 (the “annual financial statements”) which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This unaudited *pro forma* consolidated statement of financial position as at December 31, 2020 should be read in conjunction with the above described annual financial statements and the notes thereto. In preparing the unaudited *pro forma* consolidated statements of financial position, a review was undertaken to identify accounting policy differences between FogChain and Avisia where the impact was potentially material. The significant accounting policies of FogChain conform in all material respects to those of Avisia.

The unaudited *pro forma* consolidated statement of financial position as at December 31, 2020 is not necessarily indicative of the Company’s financial position on closing of the proposed acquisition. Actual amounts recorded upon approval of the acquisition will likely differ from those

recorded in this unaudited *pro forma* consolidated statement of financial position as at December 31, 2020.

Completion of the transaction is subject to a number of conditions including, but not limited to, approval by the Canadian Securities Exchange (“CSE”).

The Company is relying on the guidance contained in CSE Notice 2018-005 and is not including a *pro forma* consolidated statement of loss and comprehensive loss.

2. DESCRIPTION OF TRANSACTION

Parties to the transaction

FogChain

FogChain was incorporated pursuant to the provisions of the Corporations Act (Ontario) on February 7, 1984. The full corporate name of FogChain is “FogChain Corp.”. The Common Shares were first listed for trading on the CSE under the symbol “FOG” on May 29, 2018.

FogChain MergeSub

FogChain has two wholly-owned subsidiaries, FogChain Inc. and FogChain USA Inc. FogChain USA Inc. was incorporated on January 29, 2021, pursuant to the filing of articles of incorporation under the Delaware General Corporation Law (“DGCL”) for the purposes of the Merger. The registered office of FogChain MergeSub is located at Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle Count, Delaware 19801.

Avisia

Avisia was incorporated under the laws of the state of Delaware on March 25, 2013. Avisia’s registered office is located at 108 West 13th Street, Wilmington, Delaware, 19801 United States and its head office is located at 1660A Old Pecos Trail, Santa Fe, New Mexico 87505 United States.

Avisia is an innovation organization focused on commercializing pulmonary assays for the detection of infectious diseases.

The Merger

On February 1, 2021, the Company entered into a Merger Agreement with Avisia. Upon the terms and conditions of the Merger Agreement, Avisia will, pursuant to the applicable provisions of the DGCL, be merged with and into the FogChain MergeSub, and the separate corporate existence of Avisia will thereupon cease in accordance with the provisions of the DGCL. FogChain MergeSub will be the surviving corporation in the Merger, will continue to exist as the surviving corporation under the name, “*Avisia Diagnostics USA Inc.*” pursuant to the provisions of the DGCL and will continue to exist as the same legal entity as existed before the Merger.

Under the terms of the Merger Agreement, at the effective time of the Merger, all of the outstanding common stock of Avisia will be exchanged for common stock of the Resulting Issuer and all warrants and options of Avisia will be converted into warrants and options of the Resulting Issuer. The completion of the Merger is conditional on obtaining all necessary regulatory and shareholder approvals in connection with the matters described above and other conditions customary for a transaction of this type. Although the proposed Merger will result in Avisia no longer existing, the proposed Merger will constitute a reverse take-over of FogChain in as much as the former shareholders of Avisia will own a majority of the outstanding shares of the Resulting Issuer and 3 of the 3 members of the Resulting Issuer Board of Directors will be designees of Avisia.

In connection with the Merger Agreement, the Company will complete a consolidation of common shares on the basis of 1 new common share for each 15 old common shares. The Company will change its name to “Avisia Diagnostics Inc.” and will carry on the business of Avisia.

In connection with the Merger Agreement, Avisia will:

- a) the issued and outstanding convertible and senior notes will be converted into Avisia Common Shares based on the terms thereof;
- b) the issued and outstanding Avisia Preferred Shares will be converted into Avisia Common Shares in accordance with the articles of incorporation of Avisia;
- c) complete a private placement of 1,540,741 subscription receipts (the “Subscription Receipts”) for aggregate gross proceeds of \$693,336 at a price of \$0.45 per Subscription Receipt. Each Subscription Receipt will be convertible into one share of common stock of Avisia (the “Private Placement”). The proceeds from the Private Placement will be held in escrow until certain escrow release conditions, including the confirmation that all conditions precedent to the Merger Agreement, have been satisfied. Upon the occurrence of the escrow release conditions, the proceeds plus any interest accrued and actually earned thereon would be released from escrow to Avisia.

3. REVERSE TAKEOVER

The Merger has been accounted for in accordance with IFRS 2, *Share-based payments* (“IFRS 2”) and IFRS 3, *Business combinations* (“IFRS 3”). As FogChain did not qualify as a business according to the definition of IFRS 3, this Merger does not constitute a business combination. The Merger is considered to be a reverse takeover of the Company by Avisia.

A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a share-based transaction rather than a business combination. The Merger is equivalent to the issuance of common shares by the non-public operating entity, Avisia, for the net assets and the listing status of the non-operating public company, FogChain.

The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Company. For financial reporting purposes, the Company is considered a continuation of Avisia (the acquiree), the legal subsidiary, except with regard to authorized and issued share capital, which is that of the Company, the legal parent.

The fair value of the net assets of the Company deemed to be acquired will ultimately be determined at the date of closing of the transaction and the actual costs of acquisition may vary from those estimates. Therefore, the allocation of the consideration among the assets and liabilities of the Company may vary from those shown above and such differences may be material.

4. PRO FORMA ADJUSTMENTS

The unaudited *pro forma* consolidated statement of financial position includes the following *pro forma* assumptions and adjustments as if they had occurred at December 31, 2020:

- (a) The cancellation of subscription receipts related to the previous proposed transaction with Panorama Capital Corp., resulting in the funds being returned to investors and Avisia recovered financing costs of \$59,378. Haywood covered the remaining transaction costs related to the previous proposed transaction in exchange for a promissory note in the amount of \$109,486 (\$139,398 CAD).
- (b) The issuance of 1,540,741 common shares of Avisia at a price of \$0.45 upon conversion of Subscription Receipts for gross proceeds of \$693,336. Each Subscription Receipt sold pursuant to the Private Placement entitles the holder thereof to one common share of the Resulting Issuer.
- (c) The convertible debts and interest accrued on the convertible notes of Avisia were automatically converted into 21,559,892 Common Shares of Avisia based on a conversion price of \$0.33 per share. The senior notes of Avisia were automatically converted into 6,184,843 Common Shares of Avisia based on a conversion price of \$0.22 per share.
- (d) The Series A Convertible Preferred Shares of Avisia and Series A-1 Convertible Preferred Share of Avisia, including accrued dividends, were automatically converted into a total of 19,526,387 Common Shares of Avisia at a conversion price of \$0.775849 per share and \$0.826311 per share, respectively, taking into account the anti-dilution provisions of the Preferred Shares.
- (e) Immediately prior to the completion of the Merger, FogChain completed a consolidation of Common Shares on the basis of 1 new Common Share for each 15 old Common shares.
- (f) Pursuant to the Merger, 466,848 Avisia Warrants were exchanged for 858,226 of the Resulting Issuer's Warrants. Each Resulting Issuer Warrant will allow the holder to convert 1 whole Resulting Issuer Warrant into 1 whole Resulting Issuer

Common Share at a price equal to the original Avisia exercise price. As such, the Resulting Issuer's Warrants are classified as equity.

- (g) Pursuant to the Merger, 2,127,396 Avisia Options were exchanged for 2,127,396 of the Resulting Issuer's Options. The terms of the Options did not change.
- (h) Pursuant to the Merger, 143,326 Avisia Promissory Note Warrants were exchanged for 143,326 of the Resulting Issuer's Promissory Note Warrants. The terms of the Promissory Note Warrants did not change. These Promissory Note Warrants were issued in exchange for the amendment of certain terms of the original Promissory Notes and were determined to have a fair value of \$40,890. This amendment was determined to be a substantial modification under IFRS 9, *Financial Instrument* and resulted in a gain on extinguishment of \$23,066.
- (i) On closing of the Merger, 6,033,412 GEM Warrants with a fair value of \$1,610,317 were issued in accordance with Avisia's agreement with GEM. In addition, the GEM Fee of \$785,423 (\$1,000,000 CAD) was accrued.
- (j) Estimated cash transaction expenses to be incurred for the Merger as disclosed in the listing statement of \$407,229, which will be included in the listing expense. These expenses exclude the impact of the non-cash listing expense as described in note 4(l) below.
- (k) As at December 31, 2020, \$43,198 (\$55,000 CAD) to a specific vendor of FogChain was included in accounts payable. Subsequent to December 31, 2020, FogChain incurred an additional \$23,563 (\$30,000 CAD) in charges from this vendor and then agreed to settle the entire balance of \$66,761 (\$85,000 CAD) through the issuance of 1,545,454 (pre-consolidation) common shares with a fair value of \$66,761 (\$85,000 CAD).

FOGCHAIN CORP. (to be renamed Avisia Diagnostics Inc.)
Notes to *Pro Forma* Consolidated Statement of Financial Position
December 31, 2020
(Unaudited and expressed in U.S. Dollars)

- (1) The consideration effectively transferred for the acquisition of FogChain is as follows:

	\$
Fair value of equity instruments issued	2,900,317
Fair value of replacement options	3,335
Total consideration	2,903,652
Fair value of net asset of FogChain acquired	
Cash	110,002
Accounts receivable	994
Prepays	2,587
Equipment	8,572
Accounts payable	(122,902)
Due to related parties	(320,399)
Government grant	(8,000)
Government loan	(153,441)
	(482,587)
Listing expense	3,386,239

The fair value of the replacement options is estimated at the date of the Merger using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The incremental increase of the fair value of the options is included in the consideration. The Company used the following weighted average assumptions: average volatility of 100%, risk-free interest rate of 0.20%, an average expected life of 1.75 years and a dividend yield of 0%.

FOGCHAIN CORP. (to be renamed Avisia Diagnostics Inc.)
Notes to *Pro Forma* Consolidated Statement of Financial Position
December 31, 2020
(Unaudited and expressed in U.S. Dollars)

5. Share Capital

- (a) Common shares upon completion of the proposed transactions, the *pro forma* Resulting Issuer common shares outstanding will be as follows:

		Number of common shares	Number of restricted voting common shares	Amount		
				Common stock	Restricted common stock	Share Premium
Issued Common Shares and Restricted Voting Common Shares						
FogChain:						
Common shares of FogChain outstanding as at December 31, 2020		78,365,224	16,767,000	\$ 10,477,001	\$ 2,794	\$ -
Common shares issued for debt settlement (4(k))		1,545,454	-	66,761	-	-
		79,910,678	16,767,000	10,543,762	2,794	-
FogChain shares outstanding after consolidation on 15 to 1 basis		5,327,348	1,117,800	10,543,762	2,794	-
Avisa:						
Common shares of Avisia outstanding as at December 31, 2020		2,288,773	-	1,333	-	1,675,999
Shares issued on conversion of subscription receipts	4(b)	1,540,741	-	693,336	-	-
Shares issued on conversion of convertible debts and senior notes	4(c)	27,744,735	-	8,280,358	-	-
Shares issued on conversion of Series A and A-1 Convertible Preferred Shares	4(d)	19,526,387	-	13,708,404	-	-
Common shares of Avisia outstanding		51,100,636	-	22,683,431	-	1,675,999
Exchange of Avisia shares for FogChain’s shares on a 1 to 1 basis	4(l)	(15,208,674)	15,208,674	(12,712,721)	6,742,481	(1,675,999)
Pro forma Resulting Issuer common shares outstanding		41,219,310	16,326,474	\$ 20,514,472	\$ 6,745,275	\$ -

FOGCHAIN CORP. (to be renamed Avisia Diagnostics Inc.)
Notes to *Pro Forma* Consolidated Statement of Financial Position
December 31, 2020
(Unaudited and expressed in U.S. Dollars)

- (b) Stock options upon completion of the proposed transactions, the *pro forma* Resulting Issuer stock options outstanding will be as follows:

	Number of options outstanding	Weighted average exercise price
FogChain		
Beginning balance at December 31, 2020	1,582,500	\$0.28 CAD
FogChain options outstanding after share consolidation on 15 to 1 basis	105,500	\$4.20 CAD
Avisia		
Beginning balance at December 31, 2020	2,127,396	\$0.37
Total Avisia options	2,127,396	\$0.37
<i>Pro forma</i> Resulting Issuer options outstanding	2,232,896	\$0.54

- (c) Warrants upon completion of the proposed transactions, the *pro forma* Resulting Issuer warrants outstanding will be as follows:

	Number of warrants outstanding	Weighted average exercise price
FogChain		
Beginning balance at December 31, 2020	Nil	N/A
FogChain warrants outstanding after share consolidation on 15 to 1 basis	Nil	N/A
Avisia		
Beginning balance at December 31, 2020	466,848	\$1.24
Avisia warrants outstanding after exchange of Resulting Issuer Warrants	858,226	\$1.24
Avisia warrants granted to Avisia Promissory Note Warrants	143,326	\$0.45
Avisia warrants granted for the GEM agreement	6,033,412	\$0.48
Total Avisia warrants	7,034,964	\$0.57
<i>Pro forma</i> Resulting Issuer warrants outstanding	7,034,964	\$0.57

6. PRO FORMA STATUTORY INCOME TAX RATE

The *pro forma* effective statutory income tax rate of the combined companies will be 27% but due to the lack of recoverability of the Companies' losses carried forward no tax consequences were reflected in the *pro forma*.

SCHEDULE “D”
The Annual Management’s Discussion and Analysis of Avis

See attached.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis (“MD&A”) is intended to help the reader understand our operations and our present business environment. MD&A is provided as a supplement to and should be read in conjunction with Avisa Pharma Inc.’s (the “Company” or “Avisa”) audited annual financial statements for the years ended December 31, 2020 and December 31, 2019. The audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Unless otherwise specified, all financial data is presented in United States dollars. This MD&A is as of May 7, 2021. The information contained within this MD&A is current to the same date.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our MD&A includes forward-looking statements that are subject to risks and uncertainties that may result in actual results differing from the statements we make. Certain information included or incorporated by reference in this report may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “plan,” “intend” or “project” or the negative of these words or other variations on these words or comparable terminology. Certain risks underlying our assumptions are highlighted below; if risks materialize, or if assumptions prove otherwise to be untrue, our results will differ from those suggested by our forward-looking statements and our results and operations may be negatively affected.

Forward-looking statements in this report include statements regarding our revenue and profitability, projected costs, business strategy, objectives, trends in our industry, financing plans and our anticipated needs for working capital. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the forward-looking statements currently contained in this report will in fact occur. The Company bases its forward-looking statements on information currently available to it. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law. Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this document. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in forward-looking information, including, without limitation: our need for additional financing and our estimates regarding our capital requirements, future revenues and profitability; unfavorable economic conditions could have an adverse effect on our business; our ability to successfully

market and sell our products and services; we may be subject to competition and technological risk which may impact the price and amount of products we can sell and the nature of products we can provide; regulatory changes that are unfavorable in the states where our operations are concentrated; changes within the medical industry and third-party reimbursement policies and our estimates of associated timing and costs with the same; changes in key United States federal or state laws, rules, and regulations; our ability to establish, maintain and defend intellectual property rights; risks related to United States antitrust regulations; our senior management has been key to our development and we may be adversely affected if we are unable to retain them, conflicts of interest develop or we lose any key member of our senior management team; risks associated our dependence on third-party suppliers; changes in the industry and the economy may affect the Company's business; risks related to the competitive nature of the medical industry; evolving regulation of corporate governance and public disclosure may result in additional corporate expenses; adverse events relating to our product or services could result in risks relating to product liability, medical malpractice, other legal claims, insurance and other liabilities; various risks associated with legal, regulatory or investigative proceedings; risks associated with governmental investigations into marketing and other business practices; we are subject to health and safety risks within our industry; changes in our effective income tax rates; risks related to the failure of our employees and third-party contractors to appropriately record or document services that they provide; risks related to criminal or civil sanctions in connection with failure to comply with privacy regulations regarding the use and disclosure of patient information; and the adverse effects of health epidemics on our business, including the global COVID-19 pandemic.

EXECUTIVE OVERVIEW

Avisa is a private company, headquartered in Santa Fe, New Mexico, United States. Avisa's operations started as a result of a license for a breath test platform technology from the University of New Mexico office of Science and Technology Center in 2010.

Avisa is developing and validating a rapid, 10-minute point-of-care biomarker breath test for use in the diagnosis and monitoring of pneumonia. Based on Avisa's patented platform technology, which is able to detect respiratory bacterial infections and other disease states by analyzing exhaled breath, the Avisa BreathTest ("ABT") is a drug/device combination for use in the detection and monitoring of urease-containing pathogens and guides the appropriate selection and use of antibiotics.

Pneumonia costs the U.S. healthcare system more than \$17 billion annually and Avisa believes that the market opportunity for its tests for use in the detection and monitoring of pneumonia are significant. Additionally, in major part due to the lack of rapid diagnostic testing, the dramatic rise in the overuse of broad-spectrum antibiotics in a "one-size-fits-few" treatment approach to pneumonia has led to a major global public health crisis in antibiotic resistance, with the U.S. Centers for Disease Control and Prevention indicating that thirty-five thousand people die in the U.S. annually due to antibiotic resistance. Furthermore, in March 2020, The Lancet published a scientific journal article indicating that almost half of COVID-19 related deaths resulted from a co-infection of bacteria.

Avisa intends that the ABT will be used to assist in therapeutic intervention and patient monitoring as well as to combat the widespread overuse of antibiotics that has fueled the rise of antibiotic-

resistant infections by differentiating virulent urease bacterial pathogens from viral infections. By helping prevent the overuse of antibiotics and unnecessary hospitalizations, the economic justification for providers and payers is powerful since intensive care unit patients can cost over \$4,000 per day.

Avisa has been working to manage three elements of risk in order to execute on its vision. Avisa has worked to lower risk from a clinical perspective by leveraging an existing technology in a novel application. Avisa has worked to lower risk from a fundraising perspective through a capital financing arrangement for up to \$52 million under the share subscription facility agreement entered into between Avisa, GEM Yield Bahamas Ltd. and GEM Global Yield LLC SCS in January 2020, as amended (the “GEM Agreement”). Avisa intends that the GEM Agreement will supplement Avisa’s cash needs through the anticipated product development and the U.S. Food and Drug Administration (the “FDA”) pivotal trial period before commercialization. Finally, Avisa intends to lower risk from a manufacturing perspective by contracting experienced medical device and drug manufacturers for the manufacture of its devices and drug products when Avisa’s products are ready to be commercialized.

Avisa intends to contract the manufacturing of both its laser spectrometer and the inhaled dose of pharmaceutical grade urea labeled with C¹³ that has been designed for nebulization delivery to experienced medical device and drug manufacturing organizations. The disposable nebulizer has already been approved by the FDA for use in ambulatory and ventilated patients, and will be procured from a dedicated manufacturing organization.

To date, Avisa has financed its cash requirements primarily from the sale of securities to investors. Avisa’s ability to maintain the carrying value of its assets is dependent on successfully capitalizing the business and commercializing its technologies, the outcome of which cannot be predicted at this time. In the future, it will be necessary for Avisa to raise additional funds for the continuing development of its business plan.

RECENT DEVELOPMENTS

During the years ended December 31, 2020 and 2019, Avisa advanced the development of its breath test system as well as its clinical and regulatory program. Avisa continues to experience interest in the commercialization of its technologies.

On June 17, 2020, the Company entered into a merger agreement (the “Agreement”) with Panorama Capital Corp. (“Panorama”), which was amended on September 30, 2020, to complete a business combination transaction (the “Panorama Transaction”). Prior to the closing of the Panorama Transaction, the issued and outstanding common shares of Panorama were to be consolidated on a 2:1 basis and the issued and outstanding common and preferred shares of the Company will be split on a 1:1.75 basis.

The Company would also complete a concurrent financing for a minimum of \$1,592,176 Canadian dollars (“CAD”) through the issuance of a minimum of 2,487,775 subscription receipts at a price of CAD \$0.64 per subscription receipt (the “Concurrent Financing”). The Company entered into an agreement with an agent to facilitate the Concurrent Financing. The Company was to issue the agent an option to purchase an additional number of common shares equal up to 15% of the

common shares sold pursuant to the Concurrent Financing. As compensation for the agent's services, the Company was to pay the agent a cash fee equal to 8% of the gross proceeds of the Concurrent Financing, a \$120,000 corporate finance fee (payable in common shares of the resulting issuer from the Panorama Transaction) and issue compensation options equal to 8% of the common shares sold in the Concurrent Financing with an exercise price equal to the issue price in the Concurrent Financing and a term of 24 months.

On September 2, 2020, Avisia completed a share split on a 1:1.75 basis. As a result, all common share, preferred share and per common and preferred share information have been restated to reflect the completion of the share split. The exercise price of, and the number of common shares issuable under any securities of Avisia, has also been proportionally adjusted.

On September 8, 2020, Avisia closed a first tranche of the Concurrent Financing (see details on Concurrent Financing below), a private placement totaling 2,206,525 subscription receipts at a price of \$0.64 CAD per subscription receipt for gross proceeds of \$1,412,176 CAD (\$1,109,123). Each subscription receipt entitles the holder to receive, at no additional consideration, one common share of Avisia upon satisfaction of certain conditions pursuant to the Panorama Transaction. As at December 31, 2020, the conditions were not met. As such, no subscription receipts were converted to common shares. Proceeds from the private placement are held in escrow until the closing of the Panorama Transaction and recorded as restricted cash at December 31, 2020. Subsequent to December 31, 2020, the Panorama Transaction was terminated and the subscription receipts were returned to investors. The Company recovered \$59,378 of related financing fees from the agent and the remaining \$109,486 (\$139,398 CAD) was paid by the agent in exchange for a non-interest bearing promissory note due on or before the earlier of: (i) January 19, 2022; and 30 business days from the date the Company raises aggregate gross proceeds from financing of \$500,000 CAD.

On April 20, 2021, the Company completed a reverse takeover with FogChain Corp. In accordance with the merger agreement and plan of reorganization dated February 1, 2021 (the "Merger Agreement"), which superseded and replaced the previously announced Letter of Intent dated January 12, 2021, the transaction was effected by way of a triangular merger between the Company, FogChain, and a wholly owned Delaware subsidiary of FogChain ("Subco") pursuant to the laws of the State of Delaware (the "Transaction"). The combined public company resulting from the Transaction (the "Resulting Issuer") will carry on the business of the Company.

Immediately prior to the closing of the Transaction, all of the outstanding convertible debt, interest payable, senior notes and preferred shares were converted into common shares of the Company.

On April 16, 2021, in conjunction with the Transaction, the Company raised gross proceeds of \$693,336 in a private placement financing (the "Private Placement") of subscription receipts (the "Subscription Receipts"). Pursuant to the Merger Agreement, the Subscription Receipts were converted into 1,540,741 Common Shares upon closing of the Transaction.

Pursuant to the Merger Agreement, all of the Company's options and warrants were exchanged for options and warrants of the Resulting Issuer.

SELECTED ANNUAL INFORMATION

For the years ended December 31	2020	2019	2018
Total revenue for the year	\$ 0	\$ 0	\$ 0
Net loss for the year	(4,076,759)	(1,929,811)	(4,087,511)
Basic and diluted loss per share	(1.78)	(0.84)	(1.83)
Total assets at year end	1,426,185	137,491	42,236
Total non-current liabilities at year end	684,561	0	0

The year ended December 31, 2020 is due mainly to revaluation of the convertible debt and senior note derivatives as well as increased professional fees to support the Panorama Transaction. The year ended December 31, 2019 is mainly attributable to the revaluation of the convertible debt and senior note derivatives.

SELECTED QUARTERLY INFORMATION

A summary of quarterly results is as follows:

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net income (loss) and comprehensive income (loss)	(1,658,714)	40,173	(469,799)	(1,988,419)
Basic and diluted income (loss) per share	(0.72)	0.02	(0.21)	(0.87)

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss and comprehensive loss	(645,098)	(657,180)	(332,019)	(295,514)
Basic and diluted loss per share	(0.28)	(0.29)	(0.15)	(0.13)

RESULTS OF OPERATIONS

Revenue

Revenues for the years ended December 31, 2020 and December 31, 2019 were \$0 and \$0, respectively.

In the future, Avisia expects revenue to continue to remain negligible as sales are not projected to begin until FDA approval is received and commercialization can begin in 2023.

Operating Expenses

For the years ended December 31, 2020 and December 31, 2019, operating expenses were \$1,603,210 and \$968,674, respectively. In the year ended December 31, 2020, the overall macro uncertainties associated with the COVID-19 pandemic led Avisia to continue with cash conservation measures, including reductions of executive pay. The largest operating expense for Avisia are professional and consulting fees, which were \$969,283 in the year ended December 31, 2020 (as opposed to \$194,431 in 2019), with the increase primarily driven by increased legal fees due to the Panorama Transaction. The next largest operating expense for Avisia are personnel costs, which were \$344,390 in the year ended December 31, 2020 (as opposed to \$469,145 in 2019), with the decrease primarily driven by reductions of executive pay.

For the 3 months ended December 31, 2020 and December 31, 2019, operating expenses were \$777,094 and \$234,213, respectively. In the 3 months ended December 31, 2020, Avisia focused considerable resources on its reverse merger strategy. The largest operating expense for Avisia are professional fees, which were for \$607,420 in the 3 months ended December 31, 2020 (as opposed to \$10,933 in 2019), with the increase primarily driven by increased Canadian legal fees due to the nature of the Panorama Transaction. The next largest operating expense for Avisia are salaries and benefits, which were \$21,623 in the 3 months ended December 31, 2020 (as opposed to \$110,276 in 2019), with the decrease primarily driven by reductions of executive pay.

Once the Transaction closes, Avisia expects operating expenses to increase as the Company boosts investment in product development and clinical activities designed to develop and demonstrate its breath test platform. Specifically, within three months of the closing of the Transaction, Avisia anticipates launching a development project for ventilated patient breath collection, initiating a toxicology study of its proprietary drug, formally beginning a regulatory process to approve a pivotal study trial of its product, and increasing personnel expenses to support these efforts.

Other Items

For the years ended December 31, 2020 and December 31, 2019, total other expense items were \$2,473,549 and \$961,137, respectively. Contributing to the other expense items are accretion expense, gain on modification of convertible debt, gain on exchange of debt, interest expense, revaluation of derivatives, and revaluation of warrants liability. The largest other item for Avisia are interest expenses, which were \$1,459,073 in the year ended December 31, 2020 (as opposed to \$1,382,227 in 2019), with the increase primarily driven by promissory note and additional convertible promissory note issuances during 2020.

For the 3 months ended December 31, 2020 and December 31, 2019, total other expense items were \$881,620 and \$410,885 respectively. In the 3 months ended December 31, 2020, the largest other expense for Avisia are a loss on revaluation of derivatives, which was for \$525,274 in the 3 months ended December 31, 2020 (as opposed to \$(57,783) in 2019), with the increased loss primarily driven by promissory note and additional convertible promissory note issuances during late 2020.

For the 3 months ended March 31, 2020 and September 30, 2020, total other expense items were \$1,804,241 and \$(334,772), respectively. The large changes were driven by revaluations of derivatives, which was for \$1,534,898 in the 3 months ended March 31, 2020 and \$(932,864) in the 3 months ended September 30, 2020, with the increased loss primarily driven by promissory note and additional convertible promissory note issuances during late 2020.

Once the Transaction closes, Avisia expects other item results to be far less volatile as Avisia's convertible promissory notes are converted into common shares of the Resulting Issuer, which will eliminate the interest expense, modification of debt, and accretion expense related to these securities.

Net Loss

For the years ended December 31, 2020 and December 31, 2019, the Company recorded net loss attributable to shareholders of the Company of \$4,076,759 and \$1,929,811, respectively. The difference was primarily due to a revaluation of derivatives and increase in accretion expense due to additional debt and extended maturities that offset gains on the modification of debt during 2020 which was not there in 2019.

For the 3 months ended December 31, 2020 and December 31, 2019, the Company recorded net loss attributable to shareholders of the Company of \$1,658,714 and \$645,098, respectively. The difference was primarily due to a revaluation of derivatives and increase in accretion expense due to additional debt and extended maturities during the 3 months ended December 31, 2020 which was not there in the 3 months ended December 31, 2019.

For the 3 months ended March 31, 2020 and September 30, 2019, the Company recorded net loss attributable to shareholders of the Company of \$1,988,419 (vs \$295,514 for the 3 months ended March 31, 2019) and a gain of \$40,173 (vs \$657,180 loss for the 3 months ended September 30, 2019), respectively. The difference was primarily due to a revaluation of derivatives.

Avisia is projected to continue to operate at a net loss through at least 2023 as its commercial products complete their development and regulatory processes. As described under "Liability and Capital Resources" below, Avisia will rely on continued investor funding to support the working capital needs of the business until commercial efforts provide sufficient operating profits to fund the cash needs of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, the Company had unrestricted cash of \$438,840 compared to \$106,672 at December 31, 2019. The unrestricted cash is primarily a reflection of cash generated from financing activities less cash used for operating activities. As of December 31, 2020, the Company

had restricted cash of \$959,894 compared to \$nil at December 31, 2019. The restricted cash is the result of the Company completing the first tranche of the Concurrent Financing, a private placement totaling 2,206,525 subscription receipts at a price of \$0.64 CAD per subscription receipt for gross proceeds of \$1,412,176 CAD (\$1,109,123). Each subscription receipt entitles the holder to receive, at no additional consideration, one common share of the Company upon satisfaction of certain conditions pursuant to the Panorama Transaction. The value of the subscription receipts was credited to reserves. As at December 31, 2020, the conditions were not met. As such, no subscription receipts were converted to common shares and proceeds from the private placement are held in escrow until the conditions are met. Subsequent to December 31, 2020, the Proposed Transaction was terminated and the subscription receipts were returned to investors. The Company recovered \$59,378 of related financing fees from the agent and the remaining \$109,486 (\$139,398 CAD) was paid by the agent in exchange for a non-interest bearing promissory note due on or before the earlier of: (i) January 19, 2022; and 30 business days from the date the Company raises aggregate gross proceeds from financing of \$500,000 CAD. The Company expects to meet its short-term obligations through cash received through financing activities. The Company has financed its operations primarily through equity and debt financings.

Cash provided by financing activities for the years ended December 31, 2020 and 2019 were \$2,215,591 and \$1,065,000, respectively. This was offset by cash used in operating activities of \$923,529 and \$962,009 for the years ended December 31, 2020 and 2019, respectively.

At present, Avisia has no operating income. The Company intends to finance its future requirements through a combination of debt and/or equity issuances, including the net proceeds of the Concurrent Financing and the use of the GEM Agreement facility. Based on the current business plan, Avisia believes its cash on hand, the net proceeds of the Concurrent Financing, and drawdowns from the GEM Agreement will be sufficient to fund the Company's operating, debt repayment and working capital requirements for the next 12 months. However, access to cash from the net proceeds of the Concurrent Financing and the use of the GEM Agreement facility relies on the closing of the Panorama Transaction. If the Panorama Transaction is not completed, the Company may not be able to fund its ongoing operations and complete development activities without additional financing. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Avisia updates its forecasts on a regular basis and will consider additional financing sources as appropriate.

The following table summarizes the relative maturities of the financial liabilities of the Company:

December 31, 2020					
	<u>Total</u>	<u>Less than 1</u> <u>year</u>	<u>1 – 3 years</u>	<u>4 – 5 years</u>	<u>Over 5 years</u>
Trade and other payables	\$ 904,810	\$ 904,810	\$ -	\$ -	\$ -
Promissory notes	675,000	-	675,000	-	-
Promissory note interest	9,561	-	9,561	-	-
Convertible debt	4,518,062	4,518,062	-	-	-
Convertible debt interest	2,401,629	2,401,629	-	-	-
Senior notes	1,360,667	1,360,667	-	-	-
Preferred shares	13,704,342	13,704,342	-	-	-

	\$23,574,071	\$ 22,889,510	\$ 684,561	\$ -	\$ -
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December 31, 2019					
	<u>Total</u>	<u>Less than 1</u> <u>year</u>	<u>1 – 3 years</u>	<u>4 – 5 years</u>	<u>Over 5 years</u>
Trade and other payables	\$ 259,862	\$ 259,862	\$ -	\$ -	\$ -
Promissory notes	-	-	-	-	-
Promissory note interest	-	-	-	-	-
Convertible debt	4,583,730	4,583,730	-	-	-
Convertible debt interest	1,684,912	1,684,912	-	-	-
Senior notes	750,070	750,070	-	-	-
Preferred shares	13,001,966	13,001,966	-	-	-
	\$20,280,540	\$ 20,280,540	\$ -	\$ -	\$ -

As of December 31, 2020 and 2019, the Company has no material contractual obligations, other than those obligations relating to its debt agreements as described above. The Company has a month-to-month property lease arrangement with an unrelated related party.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has:

- 2,288,773 issued and outstanding common shares;
- 4,172,905 issued and outstanding Series A preferred shares;
- 2,937,001 issued and outstanding Series A-1 preferred shares; and
- 2,223,646 outstanding stock options with a weighted average exercise price of \$0.36.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition.

PROPOSED TRANSACTION

On April 20, 2021, the Company completed a reverse takeover with FogChain. In accordance with the merger agreement and plan of reorganization dated February 1, 2021 (the “Merger Agreement”), which superseded and replaced the previously announced Letter of Intent dated January 12, 2021, the transaction was effected by way of a triangular merger between the Company, FogChain, and a wholly owned Delaware subsidiary of FogChain (“Subco”) pursuant to the laws of the State of Delaware (the “Transaction”). The combined public company resulting from the Transaction (the “Resulting Issuer”) will carry on the business of the Company.

Immediately prior to the closing of the Transaction, all of the outstanding convertible debt, interest payable, senior notes and preferred shares were converted into common shares of the Company.

On April 16, 2021, in conjunction with the Transaction, the Company raised gross proceeds of \$693,336 in a private placement financing (the “Private Placement”) of subscription receipts (the “Subscription Receipts”). Pursuant to the Merger Agreement, the Subscription Receipts were converted into 1,540,741 Common Shares upon closing of the Transaction.

Pursuant to the Merger Agreement, all of the Company’s options and warrants were exchanged for options and warrants of the Resulting Issuer.

TRANSACTIONS WITH RELATED PARTIES

The Company’s related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the board of directors and corporate officers.

During the years ended December 31, 2020 and 2019, remuneration of key management was as follows:

	2020	2019
Salary	\$ 276,247	\$ 323,700
Consulting fees	-	106,056
Stock-based compensation	56,444	1,373
	332,691	431,129

As at December 31, 2020, accounts payable and accrued liabilities includes \$76,036 (December 31, 2019 - \$71,694) to key management personnel.

As at December 31, 2020, convertible debt of \$199,026 (December 31, 2019 - \$199,026) and interest payable of \$109,072 (December 31, 2019 - \$75,981) is payable to key management personnel.

FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's cash and accounts payable are financial instruments classified as Level 1 in the fair value hierarchy. Their carrying values approximate their fair values due to short-term maturity of these instruments. The Company's convertible debt derivative, senior notes derivative and warrants liability are financial instruments classified as Level 3 in the fair value hierarchy. Their fair value is based on the Black-Scholes model. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

FINANCIAL RISK FACTORS

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major United States financial institution.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

As at December 31, 2020, the Company had an unrestricted cash balance of \$438,840 (December 31, 2019 - \$106,672) available to apply against short-term business requirements and current liabilities of \$26,215,196 (December 31, 2019 - \$21,635,064). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2020.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates. As at December 31, 2020 and 2019, the interest rate on the convertible debt balances have fixed interest rates and the senior notes are non-interest bearing. Therefore, the Company does not consider interest rate risk to be significant.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

OTHER RISK FACTORS

(i) COVID-19 Pandemic

Since March 31, 2020, the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include in some instances the closing non-essential businesses, travel bans, self-imposed quarantine periods and physical distancing, continue to cause significant material disruptions to businesses globally resulting in an economic slowdown. Global equity markets remain volatility and unpredictable. The duration and overall lasting impact of the COVID-19 pandemic is currently unknown, as is the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity what these developments will have on the financial results and condition of Avisia in future periods.

(ii) Development Risk

Substantial corporate resources are being expended on the development of the Company's technologies. The Avisia BreathTest product is continuously being upgraded and is not currently commercialized. There can be no guarantee that the Avisia BreathTest achieve the objectives which the Company believes are necessary for it to result in a successful offerings to the marketplace. There are significant risks, expenses, delays, and difficulties frequently encountered in establishing new technologies to industry, which is characterized by an increasing number of market entrants, intense competition, and high failure rate. Further, there is always the risk in product development that the software will fail to function as intended or that the market for such products will not develop as anticipated or when anticipated. There is often a lengthy time between the time of technology conceptualization to technology commercialization, and there can be no assurances that development of new technologies will be commercialized at all, on time or within budget. Failure to successfully commercialize the Avisia BreathTest would materially and adversely affect the Company's financial condition and results of operations.

(iii) Competition

Competition in the pneumonia diagnostics industry occurs on many fronts, including developing and bringing new technologies to market before others, developing new technologies to improve existing offerings, developing new means in which to provide the same benefits as existing products at less cost, developing new products to provide benefits superior to those of existing offerings, and acquiring or licensing complementary or novel technologies from other companies or individuals. Avisia may be unable to contend successfully with current or future competitors which include major technology companies, many of which are large, well-established companies with access to financial, technical, and marketing resources significantly greater than the Company and substantially greater experience in developing, licensing, and manufacturing products, conducting research and development activities, and obtaining regulatory approvals. The Company's competitors may develop or acquire new or improved technologies that are similar to those offered by the Company, while not necessarily being direct competitors currently.

(iv) Limited Protection of Patents and Proprietary Rights

The Company's success will depend in part on its ability to protect its proprietary rights and technologies, including, but not limited to the Avisa BreathTest. The Company will rely on a combination of contractual arrangements, licenses, patents, trade secrets, and know-how to protect its proprietary technology and rights and the Company's failure to protect its intellectual property rights may result in the loss of valuable technologies and undermine its competitive position. However, not all these measures may apply or may afford only limited protection. In addition, the laws of some foreign countries do not protect proprietary technology rights to the same extent as do the laws of Canada and the United States. A failure of the Company to adequately protect its proprietary rights may adversely affect the business of the Company. Furthermore, filing, prosecuting and defending patents on the Company's intellectual property throughout the world could be prohibitively expensive. The laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States or federal and provincial laws in Canada. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert its efforts and attention from other aspects of its business. The Company may have limited remedies if patents are infringed in certain jurisdictions or if it is compelled to grant a license to a third-party, which could materially diminish the value of those patents. This potentially could limit the Company's total revenue opportunities.

Unpatented trade secrets, improvements, confidential know-how and continuing technological innovation may be important to the Company's scientific and commercial success. Although the Company will attempt to, and will continue to attempt to, protect proprietary information through reliance on trade secret laws and the use of confidentiality agreements with collaborators, contract manufacturers, licensees, clinical investigators, employees and consultants and other appropriate means, these measures may not effectively prevent disclosure of or access to proprietary information, and, in any event, others may develop independently, or obtain access to, the same or similar information.

Despite the Company's efforts to protect its proprietary rights, there can be no assurance that the Avisa BreathTest will not be infringed upon, that the Company would have adequate remedies for any such infringement or adequate funds to act against those infringing the Technology, or that its trade secrets will not otherwise become known or independently developed by its competitors. There can also be no assurance that any patents now or hereafter issued to, licensed by, or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others. There can be no assurance that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Avisa BreathTest.

(v) Infringement of Intellectual Property Rights

While the Company believes that its intellectual property does not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Company not infringing intellectual property rights of others. Several of the Company's competitors and other third parties have been issued or may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those utilized by the Company. Some of these patents may grant very broad protection to the owners of the patents.

The Company may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in its target markets, the overlap in functionality of those products and the prevalence of products.

Litigation may be necessary to determine the scope, enforceability, and validity of third-party proprietary rights or to establish the Company's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Company and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period than the Company.

Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, divert management's attention and focus away from the business, subject the Company to significant liabilities and equitable remedies, including injunctions, require the Company to enter into costly royalty or licensing agreements and require the Issuer to modify or stop using infringing technology.

(vi) Sales and Distribution

The Company does not currently have any proven market for sales or completed distribution agreements. The successful commercialization of its technologies will be reliant on the Company's ability to identify, execute and maintain a successful mechanism to market.

(vii) Additional Funding Requirements

The Company will require additional financing to implement its business plan. The Company may raise additional funds through gap financing, debt financing, and/or subsequent equity financing. The Company may also borrow funds from a financial institution(s) using the assets of the Company as security for said loan(s). The Company may also obtain additional financing through certain government subsidies or tax incentives available in certain geographic areas, if available, at the Company's discretion. Failure to obtain such additional capital on terms acceptable to the Company could restrict its ability to implement its growth plans. Further, a shortage of funds may prevent or delay the Company from getting its products to the marketplace, achieving profitability, or enabling the Company to pay distributions to its shareholders. There is no assurance that the Company will have adequate capital to conduct its business or satisfy its financial obligations.

The ability of the Company to arrange financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company or at all. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change, and shareholders may suffer additional dilution. There can be no assurance that the Company will generate cash flow from operations necessary to support the continuing operations of the Company.

(viii) Limited Operating History

The Company has incurred losses since inception and is expected to continue to incur losses. As such, the Company will be subject to all the business risks and uncertainties associated with any

new business enterprise, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. The Company's ability to reach and then sustain profitability depends on several factors, including the growth rate of the developmental optics industry, the continued market acceptance of the Avisa BreathTest and the competitiveness of the Company. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

(ix) Lack of Operating Cash Flow

The Company currently has no source of operating cash flow, which is expected to continue for the near future. The Company's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations.

(x) Exposure to Foreign Currency Exchange Rates

The Company's commercialization plans leverage suppliers and customers in foreign jurisdictions; as a result, a significant portion of its revenues, expenses, current assets and current liabilities may be preliminary denominated in foreign currencies, while its financial statements are expressed in a single currency. A decrease in the value of such foreign currencies relative to the reporting currency could result in losses in revenues from currency exchange rate fluctuations. To date, the Company has not hedged against risks associated with foreign exchange rate exposure. The Company cannot be sure that any hedging techniques it may implement in the future will be successful or that its business, financial condition, and results of operations will not be materially adversely affected by exchange rate fluctuations.

(xi) Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of companies.

(xii) Dependence on Management and Key Personnel

The Company's management will make all decisions with respect to the Company's assets, including investment decisions and the day-to-day operations of the Company. As a result, the success of the Company for the foreseeable future will depend largely upon the ability of its management team, employees and consultants. The loss of any key individual could have a material adverse effect on the Company. If the Company lost the services of one or more of its executive officers or key employees and consultants, it would need to devote substantial resources to finding replacements, and until replacements were found, the Company would be operating without the skills or leadership of such personnel, any of which could have a significant adverse effect on the Company's business. The Company currently does not carry "key-man" life insurance policies covering any of these officers or consultants.

The future success of the Company depends in significant part on the contributions of its executive officers and scientific and technical personnel. The loss of the services of one or more key individuals may significantly delay or prevent achievement of scientific or business objectives. Competition for qualified and experienced personnel in the biomedical field is generally intense, and the Company will rely heavily on its ability to attract and retain qualified personnel in order to successfully implement its scientific and business objectives. The failure to attract or retain key executives and personnel could impact the Company's operations, including failure to achieve targets and advancement of the Avisa BreathTest.

As the Company's development and commercialization plans and strategies develop, the Company expects that it will need to expand the size of its employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. In addition, the Company's management may have to divert a disproportionate amount of its attention away from the Company's day-to-day activities and devote a substantial amount of time to managing these growth activities. The Company's future financial performance and its ability to commercialize its Avisa BreathTest and its ability to compete effectively will depend, in part, on the Company's ability to effectively manage any future growth.

(xiii) Uninsured Risks

The Company may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance coverage) arising from any damage or injury caused by the Company's operations.

SCHEDULE “E”
The Annual Management’s Discussion and Analysis of FogChain

See attached.

AVISA DIAGNOSTICS INC.
(Formerly FogChain Corp.)

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

AVISA DIAGNOSTICS INC.

(Formerly FogChain Corp.)

Management Discussion & Analysis

December 31, 2020

1.1 Date

This Management Discussion and Analysis ("MD&A") of Avisia Diagnostics Inc. (formerly FogChain Corp.) (the "Company") has been prepared by management as of April 30, 2021 and should be read in conjunction with the audited financial statements and related notes thereto of the Company for the years ended December 31, 2020 and 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in United States ("US") dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made and they involve a number of material risks and uncertainties. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

The Company has based the forward-looking statements largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company's control, include, but are not limited to: management's expectations regarding the future business, objectives and operations of the Company; the Company's anticipated cash needs and the need for additional financing; the Company's ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Company's expectations regarding its competitive position; the Company's expectations regarding regulatory developments and the impact of the regulatory environment in which the Company operates; the Company's ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Company's business and the markets in which it operates. Assumptions underlying the Company's working capital requirements are based on management's experience with other public companies. Forward-looking statements pertaining to the Company's need for and ability to raise capital in the future are based on the projected costs of operating a blockchain software development platform and management's experience with raising funds in current market circumstances. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements with the risks set forth.

1.2 Overall Performance

Avisia Diagnostics Inc. (formerly FogChain Corp.) ("FogChain" or the "Company") was incorporated on February 7, 1984 under the *Business Corporations Act (Ontario)*.

On May 24, 2018, the Company completed a reverse takeover transaction (the "RTO"), which was effected pursuant to a merger agreement between Mukuba Resources Ltd. and FogChain Inc. ("Fog Inc."), a private company existing under the laws of Delaware with its head office in San Carlos, California. As part of the transaction, the Company consolidated its share capital at a ratio of one post consolidated common shares

AVISA DIAGNOSTICS INC.

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for 1.66 pre-consolidated common shares, created restricted voting shares in the capital of the Company ("Restricted Common Shares"), changed its name to FogChain Corp. effective May 23, 2018, voluntarily delisted its common shares from the TSX Venture Exchange effective May 28, 2018, and commenced trading its shares on the Canadian Securities Exchange ("CSE") on May 29, 2018, under the symbol FOG. Effective November 4, 2020, the CSE has deemed the Company's listed securities to be inactive and changed its symbol to FOG.X.

Pursuant to the RTO, the Company issued an aggregate of 45,353,884 common shares and 18,630,000 Class A convertible restricted common shares (the "restricted shares") of the Company in exchange for all of the issued and outstanding shares of Fog Inc. In conjunction to the RTO, the Company issued an aggregate of 12,990,451 common shares for finder's fees, debt settlement and conversion of convertible notes. Upon closing of the transaction, the shareholders of Fog Inc. owned 96% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Fog Inc.

On December 17, 2019, the Company entered into a share exchange agreement with Canadian Teleradiology Services Inc., a privately held Canadian company incorporated under the *Canada Business Act (Ontario)*. On June 22, 2020, the share exchange agreement was terminated.

On August 21, 2020, the Company entered into a business combination and amalgamation agreement with Global Star Education Group Limited, a privately held Canadian company. On November 2, 2020, the business combination and amalgamation agreement was terminated.

On April 20, 2021, according to the Merger Agreement and Plan of Reorganization dated February 1, 2021 ("Merger Agreement"), the Company acquired the issued and outstanding shares of Avisia Pharma Inc. ("Avisia").

Upon completion of the reverse takeover transaction, the Company changed its name to Avisia Diagnostics Inc. and will continue the business of Avisia. The listing of the resulting issuer is conditionally approved by the CSE and expected to close in May 2021.

Avisia is a private medical device company established in 2010 with its head office in Santa Fe, N.M., and incorporated under the laws of Delaware. Avisia has developed a quantitative, point-of-care diagnostic breath test known as the Avisia BreathTest (ABT) for rapidly detecting bacterial pneumonia and pulmonary infections in approximately 10 minutes. The ABT has the potential to be a more accessible, faster and cost-effective detection method than presently used in the health care sector. The ABT is a validated clinical-stage test with existing technology. Avisia currently has an intellectual property portfolio of 11 patents issued and registered, and three patents pending. See *1.10 Fourth Quarter and Subsequent Events*.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

General Description of the Business

FogChain was previously a fully integrated, end-to-end software development life cycle and quality assurance solutions provider. FogChain's suite of services and technology provided application development at scale with greater speed, efficiency and at a lower cost. FogChain's Build-Once-Deploy-Everywhere

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software architecture provided developers with a suite of tools to build, test, and monitor exciting new applications in a unified environment.

Subsequent to the Merger, the Company will continue the business of Avisia. Avisia has developed a quantitative, point-of-care diagnostic breath test known as the Avisia BreathTest (ABT) for rapidly detecting bacterial pneumonia and pulmonary infections in approximately 10 minutes.

Company Highlights

During the year ended December 31, 2020, the Company:

- Accepted the resignation of Zachary Dolesky and Patrick Quilter from the board of directors. Patrick Quilter also resigned as Chief Strategy Officer.
- Entered into a business combination and amalgamation agreement on August 21, 2020 with Global Star Education Group Limited, a privately held Canadian company. On November 2, 2020, the business combination and amalgamation agreement was terminated.
- Entered into a share exchange agreement on December 17, 2019 with Canadian Teleradiology Services Inc., a privately held Canadian company incorporated under the *Canada Business Act (Ontario)*. On June 22, 2020, the share exchange agreement was terminated.
- Continued to focus on the sales of its development platform “TCM”.
- Continued development of its unified platform Trident.
- Implemented a temporary remote work policy in light of the COVID19 pandemic which follows the social distancing measures and guidelines issued by the local government. The Company does not expect an interruption in services to its clients as it is able to conduct its services remotely.

Products

RadJav

RadJav is a software development platform and decentralized datacenter. This platform provides rapid application development tools and resources to build and launch applications across all devices and operating systems all using the same code.

To-date, RadJav has completed its integration of RadJav to connect with top operating systems, Linux, Microsoft Windows, Mac OSX and Apple iOS 12, Google's Chrome DevTools and Android 9 operating system, and Visual Studio Code.

In April 2019, RadJav released its latest version and is now in Beta phase. Highlights of the latest release include:

- Create native applications using a single code base across all mainstream desktop, tablet and mobile operating systems
- Fully integrated with FogChain's Trident platform for development, testing and monitoring
- Cryptographic library included for the development of secure apps
- Visual Studio code is integrated and will be fully bundled for easy setup and deployment of applications
- Bundled batch file scripts to easily and quickly create iOS and Android apps
- Easily create databases using RocksDB, an embeddable key-value store for fast storage
- Full documentation, templates, and examples provided in our GitHub repository

AVISA DIAGNOSTICS INC.

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December 31, 2020

At December 31, 2019, the Company reassessed RadJav for impairment and determined that the fair value was less than the carrying value. Accordingly, the Company recognized an impairment.

Test Case Manager (TCM)

TCM is a patented automated testing product that allows organizations to accomplish substantial cost savings and improved time to market by automating their test cases. This container-based solution is comprised of a sleek, web UI and an innovative Selenium/Appium architecture that product development teams strive to achieve. The container approach is highly scalable and can exist onsite or accessed in the Cloud. The UI defines workflows and communication to aid in the implementation of Continuous Improvement & Continuous Development (CI/CD,) Test Driven Development (TDD), Business Process Testing (BPT), and the needs of independent QA teams. Automation engineers can leverage their Selenium and Appium skills by developing code within a tightly organized, keyword structure. Application analysts and subject matter experts will gravitate to the user-friendly drag-and-drop features for creating automation steps.

In March 2019, FogChain completed the development and release of significant new capabilities including the ability to capture mobile objects and elements to build an object repository for functional mobile automation.

The Company has evaluated whether or not costs incurred in developing this technology meet the criteria for capitalizing as intangible assets. To December 31, 2020, research and development costs related to TCM have been recognized as expenses on the statement of loss and comprehensive loss.

AppMark

This full-featured Synthetic Monitoring service allows organizations to monitor the performance of their applications in a new and efficient manner. Users receive daily benchmarked performance reports, set timers, and email notifications when an issue occurs with their product thereby minimizing customer impact.

AppMark was acquired by the Company during the year ended December 31, 2018. At the date of acquisition, there was no identifiable asset to which the consideration paid by the Company was attributable. As such, the Company recorded the consideration as share-based compensation and software costs, respectively.

Trident

A unified cross-platform application combining FogChain's RadJav, Test Case Manager and Synthetic Monitoring services applications into one platform. This platform provides developers with a suite of tools to build, test and monitor new applications using a single code-base while being natively deployed across desktop, tablet and mobile devices.

In June 2019, the Company completed the integration of AppMon, a 24/7 application monitoring solution that identifies performance issues, into the Trident platform. Users will have the ability to manage local/cloud devices, test scripts (codeless), alarms and servers, and view all important reports within a single dashboard with a mobile friendly design.

The Company has evaluated whether or not costs incurred in developing this technology meet the criteria for capitalizing as intangible assets. To December 31, 2020, research and development costs related to Trident have been recognized as expenses on the statement of loss and comprehensive loss.

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1.3 Selected Annual Information

	December 31, 2020	December 31, 2019	December 31, 2018
Total revenues	\$ 277,830	\$ 838,857	\$ 194,345
Gross Profit	\$ 129,281	\$ 431,805	\$ 100,863
Net Loss	\$ (715,762)	\$ (4,133,893)	\$ (6,495,346)
Loss per share*	\$ (0.14)	\$ (0.84)	\$ (1.56)
Total assets	\$ 122,155	\$ 522,605	\$ 4,317,086
Total long-term liabilities	\$ 153,441	\$ Nil	\$ Nil
Cash dividends declared per share for each class of share	\$ Nil	\$ Nil	\$ Nil

* On April 20, 2021, the Company effected a share consolidation on the basis of 15:1. The calculation of basic and diluted loss per common share for all periods presented has been adjusted retrospectively, on the basis of 5,224,348 and 4,920,819 as the weighted average number of common shares outstanding, respectively.

1.4 Results of Operations

Year ended December 31, 2020

During the year ended December 31, 2020, the Company incurred an overall net loss of \$715,762 or \$0.14 per share compared to a net loss of \$4,133,893 or \$0.84 per share for the year ended December 31, 2019, a decrease in loss of \$3,418,131. The decrease in loss was primarily a result of the Company's decrease in overall expenses as a result of the Company's decision to change its business activity in the second half of the fiscal year and an impairment of intangibles and goodwill in 2019.

During the year ended December 31, 2020, the Company earned sales totaling \$277,830 for project development and IT support services, specifically, automated quality assurance test scripting, software development, performance monitoring, and onsite consulting & training. The Company earned a gross profit of \$129,281 or 47% during the year ended December 31, 2020 compared to total sales of \$838,857 from IT support services with gross profit of \$431,805 or 51% during the year ended December 31, 2019.

The following costs have significantly decreased total net loss for the current year:

Amortization (non-cash) by \$945,640. During the year ended December 31, 2019, the Company reassessed the value of its intangible assets and determined that the recoverable amount is less than the carry value, thus recognized an impairment in its intangible assets. No further intangible assets were subject to amortization in 2020.

Consulting fees by \$156,194 as the Company engaged in less consulting services for the year.

Marketing costs by \$33,203 as the Company did not carry out any marketing programs.

Office and administration by \$42,245 due to the Company's closure of its two office locations and moved to a remote work environment as a result of the government imposed lockdown in California as well as reduced business activities.

Professional fees by \$24,266. In 2019, the Company reported higher legal costs incurred in connection to the Company's business combination transaction with CTS, now terminated. Legal costs incurred in 2020 was incurred in connection to the Company's terminated Global Star transaction and the Avisa merger transaction. Audit and accounting fees also decreased in fiscal 2020 due to the reduction in business activities for audit.

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Regulatory and transfer agent fees by \$16,034 as the Company paid higher regulatory fees in 2019 in connection to the terminated CTS transaction.

Rent and utilities by \$21,680 as the company discontinued its office rentals during the year.

Salaries and benefits by \$780,625 paid to the officers of the Company, developers and other technical and support staff. The decrease was due to a departure of certain staff members during the year and no new hires were made to fill the vacant positions.

The Company recognized \$31,312 (2019-\$133,790) on the vested portion of stock options granted to directors, officers, employees and consultants on October 1, 2018 at an exercise price of \$0.28 with an expiry of October 1, 2022.

Travel costs by \$69,268. Due to the COVID19 pandemic, travel plans were put on hold as travel restrictions were implemented globally.

Three months ended December 31, 2020

During the three months ended December 31 2020, the Company did not earn any sales for project development and IT support services, specifically, automated quality assurance test scripting, software development, performance monitoring, and onsite consulting & training. The Company earned a gross profit of \$nil during the three months ended December 31, 2020 compared to total sales of \$184,616 from IT support services with gross profit of \$102,038 or 55% during the three months ended December 31, 2019.

Operating costs decreased from \$858,434 to \$124,428 between the comparative quarters due to overall decreases in expenses.

EBITA and Adjusted EBITA

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020	2019
Net loss – as reported	\$ (124,428)	\$ (2,221,719)	\$ (715,762)	\$ (4,133,893)
Add back (deduct):				
Interest Income	-	(647)	(497)	(2,002)
Amortization of equipment	3,830	242,336	20,025	965,665
EBITA (loss)	(120,598)	(1,980,030)	(696,234)	(3,170,230)
Other non-cash items:				
Share based compensation	372	18,617	31,312	133,790
Consulting fees	-	-	-	55,000
Finance charge	6,426	-	17,096	-
Impairment of intangibles	-	1,465,971	-	1,465,971
Adjusted EBITA (loss)	\$ (113,800)	\$ (495,442)	\$ (647,826)	\$ (1,515,469)

EBITDA is defined as Earnings (from operations) before Interest, Taxes, Depreciation and Amortization. Adjusted EBITDA is defined as Earnings (from operations) before Interest, Taxes, Depreciation, Amortization and other non-cash items including share-based payment costs.

EBITDA and Adjusted EBITDA are not performance measures defined under IFRS and they are not considered an alternative to income or loss from operations, or to comprehensive earnings or loss, in the context of measuring a company's performance. Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial statements with an enhanced understanding of its results and related trends and increases transparency and clarity. Management believes that EBITDA and Adjusted EBITDA are important measures of operating performance because it allows management, investors and others to evaluate and compare the Company's operating results, including its return on capital and

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operating efficiencies, from period-to-period by removing the impact of the Company's capital structure (interest expense to service outstanding debt), asset base (depreciation and amortization), tax consequences, and other non-operating items not requiring cash outlays including the adjustment to the fair value of investments and share-based compensation. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation.

Summary of Quarterly Results

The following is a summary of certain unaudited financial information for each of the last eight quarters:

Quarter ended	Sales	Gross Profit (Loss)	Operating expenses	Net Loss	Loss per share *
December 31, 2020	\$ Nil	Nil	\$124,428	\$ (124,428)	\$ (0.02)
September 30, 2020	Nil	(1,371)	156,096	(102,349)	(0.02)
June 30, 2020	100,044	36,935	396,135	(358,949)	(0.07)
March 31, 2020	177,786	93,717	223,996	(130,036)	(0.03)
December 31, 2019	184,616	102,038	893,503	(2,221,719)	(0.44)
September 30, 2019	229,276	129,052	694,170	(564,070)	(0.11)
June 30, 2019	199,735	99,772	799,280	(699,225)	(0.14)
March 31, 2019	225,230	100,943	749,846	(648,879)	(0.13)

* On April 20, 2021, the Company effected a share consolidation on the basis of 15:1. The calculation of basic and diluted loss per common share for all periods presented has been adjusted retrospectively, on the basis of 5,224,348 and 4,920,819 as the weighted average number of common shares outstanding, respectively.

December 31, 2020 and September 30, 2020 – lower net loss due to fewer activities held in the Company.

June 30, 2020 – higher net loss due to lower gross profit and an increase in professional fees related to the terminated transaction with CTS.

March 31, 2020 – operating costs reduced primarily due to less amortization expensed and significant savings in salaries and benefits.

December 31, 2019 – higher net loss due to increased operations and recognition of impairment of intangible assets.

September 30, 2019 – the quarter showed a slight increase in gross profit and savings in operating expenses thus reducing net loss compared to prior quarters in the current fiscal year.

June 30, 2019 and March 31, 2019 – consistency in sales and operations.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital deficiency of \$380,916 at December 31, 2020 compared to working capital of \$138,395 at December 31, 2019, representing a decrease in working capital of \$519,311.

As at December 31, 2020, the Company had net cash on hand of \$110,002 compared to \$426,267 as at December 31, 2019, representing a decrease of \$316,265. During the year ended December 31, 2020, the Company used \$452,283 of its cash in operating activities. The Company's financing activity includes receiving a government grant and loan of \$144,345 issued under the US Coronavirus Aid, Relief, and Economic Security ("CARES") Act programs.

Current assets excluding cash as at December 31, 2020 consisted of receivables of \$994 (December 31, 2019 - \$64,898) which comprised of government sales tax credits of \$994 (December 31, 2019 - \$6,818) and trade receivables of \$nil (December 31, 2019 - \$58,080), and prepaids and deposits of \$2,587

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(December 31, 2019 - \$2,843).

Current liabilities as at December 31, 2020 consisted of trade payables and accrued liabilities of \$166,100 (December 31, 2019 - \$107,758), deferred revenues of \$nil (December 31, 2019 - \$19,110), due to related parties of \$320,399 (December 31, 2019 - \$228,745), and deferred government grant of \$8,000 (December 31, 2019 - \$Nil).

In response to the Coronavirus (COVID-19) pandemic, the US Government passed the CARES Act on March 27, 2020. The CARES Act provides fast and direct economic assistance for entrepreneurs and small businesses through the US Small Business Administration ("SBA"). The Company received a loan through the Paycheck Protection Program ("PPP loan"), a CARES Act program, of \$191,460 bearing interest 1% per annum maturing on April 21, 2022. The PPP loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement. Under the PPP, the Company may apply to have certain amounts forgiven under the direction of the Administrator of the SBA providing that the Company satisfies certain criteria. Repayment of the PPP loan will commence earlier of when the SBA remits the forgiveness amount to the lender or the Maturity Date.

Upon initial receipt, the Company recorded the PPP loan at a fair value of \$136,346, based on a prevailing market rate of 18.5%. The Company recorded the result of the benefit received from the below-market interest rate PPP loan of \$55,115 as a grant income on the statement of loss and comprehensive loss.

In addition, the Company received a non-interest bearing advance of \$8,000 under the Economic Injury Disaster Loan (EIDL) program. As the Company received an EIDL advance and a PPP loan, the EIDL advance portion will be applied against the PPP forgiveness amount as repayment to the SBA upon approval of the PPP forgiveness application. The advance of \$8,000 has been treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan.

The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. The Company has an accumulated deficit of \$11,421,788 including a loss for the year ended December 31, 2020 of \$715,762. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Although the Company has been successful in raising funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future. The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See Item 1.15 – Other Requirements – Summary of Outstanding Share Data. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised. The Company has and may continue to have capital requirements in excess of its currently available resources.

Risk Factors and Uncertainties

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts which is held with reputable US and Canadian banks. Therefore, credit risk is assessed as low.

The Company's secondary exposure to credit risk is on its receivables. The Company's credit risk is low as current receivables consist of 100% refundable Canadian government sales taxes.

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. Liquidity risk is assessed as high.

As at December 31, 2020, the Company had working capital deficiency of \$380,916 (December 31, 2019 – working capital \$138,395).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates and is subject to the movement in interest rates. Management considers the interest rate risk to be minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in Canadian Dollars. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at December 31, 2020, the Company had net financial liabilities of CAD\$143,104. A 10% change in the US dollar versus the Canadian dollar would give rise to a gain/loss of approximately \$14,310.

(c) Price risk

Price risk is the risk that the revenue will change due to the change in the prices. The Company is not exposed to price risk.

1.8 Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements.

1.9 Related Party Transactions

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the year ended December 31, 2020 and 2019, the remuneration of the key management personnel, which were recorded in salaries and benefits, were as follows:

December 31,		2020		2019
Chief Executive Officer	\$	62,448	\$	192,000
VP Product Marketing & Corporate Secretary		57,225		155,000
Chief Strategy Officer		65,000		185,000
Chief Financial Officer		6,715		-
Director		7,500		-
Total	\$	198,888	\$	532,000

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Other related party transactions and balances

- (i) The Company recorded \$28,841 (December 31, 2020 - \$116,958) in share-based compensation for key management personnel.
- (ii) The Company leases office space on a month to month basis from Newton Energy, Inc. ("Newton"), a company with a common director and shareholder, James Cerna, for a monthly rent of \$1,500 plus \$210 in telecommunication services. Effective July 1, 2020, the lease arrangement was terminated.

During the year ended December 31, 2020, the Company paid a total of \$10,260 (2019 - \$20,520) in rent and telecommunications charges. As at December 31, 2020, \$Nil (December 31, 2019 - \$8,550) was owed to Newton which was recorded in trades payables.

- (iii) As at December 31, 2020, \$142,364 (December 31, 2019 - \$93,614) was owed to James Cerna for accrued salaries and bonuses.
- (iv) As at December 31, 2020, \$116,798 (December 31, 2019 - \$75,131) was owed to Anthony Cerna, officer of the Company for accrued salaries and bonuses.
- (v) As at December 31, 2020, \$60,000 (December 31, 2019 - \$60,000) was owed to Patrick Quilter, a former director and officer of the Company for accrued bonuses.
- (vi) As at December 31, 2020, \$1,237 (December 31, 2019 - \$Nil) was owed to Rob Kang, chief financial officer of the Company for consulting services and recorded in due to related parties.

1.10 Fourth Quarter and Subsequent Events

On November 2, 2020, the Company terminated the definitive agreement with Global Star.

In addition, on November 2, 2020, the CSE deemed the Company's listed securities to be inactive and changed its symbol to FOG.X.

On March 23, 2021, the Company entered into a debt settlement agreement to settle CAD\$85,000 in outstanding debt to a private company for administrative services provided to the Company. On April 15, 2021, the Company issued 1,545,454 common shares at a price of CAD\$0.055 to settle this debt.

Pursuant to the Merger Agreement, the Company acquired all of the issued and outstanding shares of Avisia. Immediately prior to the completion of the merger, the Company consolidated its issued and outstanding share capital on the basis of 15:1. Accordingly, the Company issued Avisia approximately 34,351,221 common shares and 15,208,674 restricted voting shares in the capital of the Company on a post-consolidation basis.

In connection with the Merger, Avisia closed a private placement of 1,540,741 subscription receipts for gross proceeds of \$693,336. Pursuant to the terms of the Avisia Subscription Receipts, each Avisia Subscription Receipt is convertible into one Avisia common share, without payment of additional consideration or further action on the part of the holder of Avisia Subscription Receipts, upon satisfaction of the Escrow Release Conditions. On April 20, 2021, the Company issued 1,540,741 post consolidation common shares on conversion of the Avisia subscription receipts.

Effective upon completion of the Transaction, the former directors and officers of the Company resigned and the management of the resulting issuer is now comprised of David S. Joseph (Chairman, President and Chief Executive Officer) and Matthew Culler (Vice President, Chief Financial Officer, and Corporate Secretary). The board of directors consist of three directors.

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1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

Not applicable to venture issuers.

1.13 Changes in Accounting Policies including Initial Adoption

Our significant accounting policies are set out in Note 3 of the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, trades payables and due to related parties.

The Company has exposures to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are liquidity risk and funding risk.

1.15 Other Requirements

Summary of Outstanding Share Data as at April 30, 2021 (post-consolidation):

Authorized - Unlimited common shares without par value

Issued – Common Shares: 41,219,310 (includes 20,536,523 shares held in escrow)

Issued – Class A Restricted Convertible Voting Common Shares – 16,326,474 (includes 10,298,657 shares held in escrow)

Options – 2,252,896 (includes 358,750 options held in escrow)

Warrants – 7,034,964 (includes 102,499 warrants held in escrow)

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

"David S. Joseph"

David S. Joseph

Chairman, Director, President & CEO