Consolidated financial statements of

Last Mile Holdings Ltd. (f: OjO Electric, LLC)

Years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Last Mile Holdings Ltd. (formerly OjO Electric, LLC)

Opinion

We have audited the accompanying consolidated financial statements of Last Mile Holdings Ltd. (formerly OjO Electric, LLC) (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, cash flows and changes in equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated 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 ("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 Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 of the consolidated financial statements, which indicates 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 auditor's report. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

June 15, 2020

Last Mile Holdings Ltd. (f: OjO Electric, LLC)

Consolidated Statements of Financial Position

(Expressed in United States dollars)

		December 31, 2019		December 31, 2018
Assets				
Current assets				
Cash	**$**	**719,529**	$	146,831
Accounts receivable		**74,843**		69,912
Prepaid expense		**-**		50,270
		794,372		267,013
Equipment (Note 6)		**3,262,307**		599,070
Intangible (Note 7)		**102,546**		489,755
Total assets	**$**	**4,159,225**	$	1,355,838
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)		**2,765,899**		589,721
Loans payable (Note 9)		**-**		816,237
Total liabilities		**2,765,899**		1,405,958
Equity (deficiency)				
Capital (Note 10)		**25,686,767**		5,084,418
Reserves (Note 10)		**2,751,385**		989,755
Accumulated other comprehensive loss		**(8,891)**		-
Deficit		**(27,035,935)**		(6,124,293)
Total equity (deficiency)		**1,393,326**		(50,120)
Total liabilities and equity (deficiency)	**$**	**4,159,225**	$	1,355,838

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved by the Board of Directors and authorized for issue on June 12, 2020.

"Maxwell Smith" Director

"Jessica Van Den Akker" Director

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

Last Mile Holdings Ltd. (f: OjO Electric, LLC)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars)

	Year ended December 31, **2019**	2018
Rideshare revenues	**$ 437,358**	$ -
Sales revenues	**9,109**	596,576
Cost of goods and services	**(815,662)**	(429,565)
Depreciation (Note 6)	**(326,116)**	-
	(695,311)	167,011
Expenses		
Depreciation (Notes 6, 7)	**285,732**	134,716
Equity-based compensation (Note 10)	**1,614,630**	543,803
Professional fees	**1,214,837**	307,178
Research & development	**729,227**	238,222
Salaries, wages and management fees	**1,688,712**	999,329
Selling, general and administrative (Note 11)	**1,562,942**	804,128
	(7,096,080)	(3,027,376)
Listing expense (Note 4)	**(12,075,580)**	-
Write down of equipment & intangible (Note 6, 7)	**(623,477)**	(53,653)
Write down of inventory (Note 5)	**(194,121)**	(68,543)
Finance expense (Note 9,10)	**(227,073)**	(16,544)
Loss for the year	**(20,911,642)**	(2,999,105)
Items that may be subsequently reclassified to net income (loss)		
Foreign currency translation	**(8,891)**	-
Comprehensive loss for the year	**$ (20,920,533)**	$ (2,999,105)
Basic & diluted loss per share	**$ (0.58)**	$ (0.17)
Weighted average shares outstanding - basic & diluted	**36,039,018**	17,563,324

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

Last Mile Holdings Ltd. (f: OjO Electric, LLC)

Consolidated Statements of Equity (Deficiency)

(Expressed in United States dollars)

	Capital						
	Share Capital $	Members' Capital $	Convertible Debt $	Reserves $	Accumulated Other Comprehensive Loss $	Deficit $	Total Equity (Deficiency) $
At December 31, 2017	-	5,084,418	-	445,952	-	(3,125,188)	2,405,182
Vesting of compensatory Class B Units	-	-	-	543,803	-	-	543,803
Loss for the year	-	-	-	-	-	(2,999,105)	(2,999,105)
At December 31, 2018	-	5,084,418	-	989,755	-	(6,124,293)	(50,120)
Issuance of convertible notes	-	-	3,990,000	-	-	-	3,990,000
Interest accrued on convertible notes	-	-	133,575	-	-	-	133,575
Vesting of compensatory Class B Units	-	-	-	847,806	-	-	847,806
Capital contribution	-	-	-	147,000	-	-	147,000
Share-based compensation	-	-	-	766,824	-	-	766,824
Conversion of convertible debt & interest to	-	4,061,982	(4,123,575)	-	-	-	(61,593)
Issuance of loan bonus shares	25,650	-	-	-	-	-	25,650
Redemption of membership units for shares	2,840,833	(2,840,833)	-	-	-	-	-
Issuance of shares pursuant to private placement	6,103,035	-	-	-	-	-	6,103,035
Share issuance costs	(391,746)	-	-	-	-	-	(391,746)
Share capital adjustment for RTO (Note 4)	10,111,451	-	-	-	-	-	10,111,451
Shares issued for transactions fees (Note 4)	691,977	-	-	-	-	-	691,977
Loss and comprehensive loss for the year	-	-	-	-	(8,891)	(20,911,642)	(20,920,533)
At December 31, 2019	**19,381,200**	**6,305,567**	**-**	**2,751,385**	**(8,891)**	**(27,035,935)**	**1,393,326**

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

Last Mile Holdings Ltd. (f: OjO Electric, LLC)

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

	Year ended December 31, 2019		2018	
Operating activities				
Loss for the year:	**$**	**(20,911,642)**	$	(2,999,105)
Adjusted for:				
Accrued interest expense		**43,962**		16,237
Depreciation		**611,848**		134,716
Equity-based compensation		**1,614,630**		543,803
Listing expense		**12,075,580**		-
Interest on convertible debentures		**133,575**		-
Write down of inventory		**194,121**		68,543
Write down of equipment and intangible		**623,477**		53,653
Changes in non-cash working capital items:				
Accounts receivable and prepaids		**57,207**		213,212
Inventory		**(194,121)**		(313,838)
Accounts payable and accrued liabilities		**1,862,834**		219,205
Cash used in operating activities		**(3,888,529)**		(2,063,574)
Financing activities				
Proceeds from loan		**1,000,000**		750,000
Proceeds from convertible debentures		**3,165,862**		-
Proceeds from private placement		**6,103,035**		-
Share issuance costs		**(391,746)**		-
Repayment of bridge loan and interest		**(1,010,411)**		-
Cash provided by financing activities		**8,866,740**		750,000
Investing activities				
Intangible asset expenditures		**(14,889)**		(369,973)
Equipment purchases		**(3,496,463)**		(291,049)
RTO Transaction costs		**(909,610)**		-
Cash acquired on RTO		**24,340**		-
Cash used in investing activities		**(4,396,622)**		(661,022)
Effect of exchange rate changes on cash		**(8,891)**		-
Net change in cash during the year		**572,698**		(1,974,596)
Cash, beginning of year		**146,831**		2,121,427
Cash, end of year	**$**	**719,529**	$	146,831
Supplemental cash flow information				
Income taxes paid	**$**	**-**	$	-
Interest paid	**$**	**10,411**	$	-
Non-cash intangible asset expenditures funded by loans payable	**$**	**-**	$	50,000
Non-cash transfer of assets from inventory to equipment	**$**	**-**	$	327,351
Transfer to capital members' contribution	**$**	**147,000**	$	-
Settlement of convertible debentures with membership interest	**$**	**4,123,575**	$	-
Net assets of Last Mile Holdings on RTO	**$**	**362,542**	$	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Last Mile Holdings Ltd. (f: OjO Electric, LLC) (the “Company”) is a light vehicle mobility solutions company operating in the United States. The Company was formed through a combination with Arcturus Ventures Inc. (“Arcturus”) and 1148486 BC Ltd (“1148486”) pursuant to which the Company effected a reverse takeover of Arcturus, (the “RTO”) a TSX Venture Exchange listed entity (“TSXV”), and the resulting issuer changed its name to OjO Electric Corp. in October 2019 (Note 4). In February 2020, the Company changed its name to Last Mile Holdings Ltd. The Company’s registered and records office is 2500 – 700 W. Georgia Street, Vancouver, BC, Canada, V7Y 1B3. The Company is listed on the TSXV under the symbol “MILE”.

Subsequent to December 31, 2019, the Company completed the acquisition of Gotcha Mobility LLC (“Gotcha”) and its affiliates (Note 17) and raised an additional $6,252,922. The acquisition of Gotcha expands the Company’s mobility solution offerings to include bikes, e-bikes and stand up scooters, as well as expands the Company’s footprint to include over 70 contracts to deploy in 2020.

Subsequent to December 31, 2019, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 pandemic continues to rapidly evolve. Thus far, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities that required temporary closure of many businesses and cessation of public events. This outbreak has led to substantial changes with transportation in and around cities, including potential restrictions on day to day businesses as well as acceptable forms of transportation. These impact of COVID-19 has added significant uncertainties on the demand for the Company’s mobility solutions which could result in a material impact to the Company’s future results of operations, cash flows and financial condition.

These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2019, the Company had a working capital deficit of $1,971,527. The Company has incurred negative cash flows from operations of $3,888,529 and recorded a loss of $20,911,642 for the year ended December 31, 2019, and has an accumulated deficit of $27,035,935 as at December 31, 2019. The Company expects it will need to raise additional funds within the next twelve months to meet its commitments and growth strategy as it moves towards profitable operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements as at and for the year ended December 31, 2019, including comparatives, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional currency

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in profit and loss. The presentation currency of the Company is the United States dollar, while the functional currency of Last Mile Holdings Ltd. is the Canadian dollar, and the functional currency for all of its subsidiaries is the US Dollar.

(d) Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries, which are controlled by the Company. Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries as at December 31, 2019:

Name of Subsidiary	Incorporation Jurisdiction	Percentage Ownership	Principal Activity
OjO US Holdings Corp	United States	100%	Holding Company
OjO Electric LLC	United States	58%**	Holding Company
OjO Electric Inc.	United States	100%	Operating Company

** OjO Electric LLC has certain outstanding membership units which can be redeemed for common shares of the Company on a 1:1 basis pursuant to the transaction (Note 4). As these units are redeemed, the Company will continue to increase its ownership which will result in 100% ownership. The Company is considered to have control over OjO Electric LLC as a result of OjO US Holdings Corp being appointed manager and no substantive rights allocated to the remaining unit holders.

All intercompany balances and transactions have been eliminated on consolidation.

(e) Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Judgments:

The key areas of judgement applied in preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Going concern
The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Equipment – impairment and amortization
Amortization of equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Following initial recognition, the Company carries equipment at cost less accumulated amortization. Amortization is recorded based upon management's estimate of useful life and residual value. These estimates are reviewed annually and are updated if expectations change as a result of changes in the Company's production process or scooter model, technical obsolescence, or other limits to use. A change in the useful life or residual value will impact the reported carrying value of equipment resulting in a change in related amortization expense or write down.

Intangible assets – impairment and amortization
The application of the Company's accounting policy for intangible assets expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit and loss in the period the new information becomes available.

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

Functional currency assessment
The functional currency of the Company and its subsidiaries is the currency of their respective primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions which determined the primary economic environment.

Deferred taxes
The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

Business combination
Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgements as to whether or not the assets acquired and liabilities assumed include inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – *Business Combinations*. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of relevant facts and circumstances, the Company concluded that the acquisition of Arcturus (Note 4) did not meet the criteria of a business combination; therefore the transaction was accounted for as an acquisition of assets.

Estimates:
The key areas of estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Equity-based payment arrangements
The Company uses an option pricing model to determine the fair value of unit-based payment arrangements granted to employee and non-employees, which includes both Class B membership units and stock options. In estimating fair value, the Company is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future equity price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

The fair value of the unit-based compensation expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these consolidated financial statements are described below:

(a) Cash

Cash includes deposits held with banks that are available on demand.

(b) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of limited voting shares, multiple voting shares and New Common A units held by third parties during the period convertible into limited voting shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period. For this purpose, it is assumed that proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Share options and Class B units outstanding as at December 31, 2019, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

(c) Equity-based compensation

The Company measures all equity-based payment arrangements to employees, managers, consultants and others at the fair value on the date of issuance using the Black-Scholes option pricing model. The inputs into the Black-Scholes model, including the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate are determined by reference to the underlying terms of the instrument and the Company's experience with similar instruments. The issuance date fair value of equity-based payment arrangements granted to employees is generally recognized as an expense with a corresponding increase in reserves, over the vesting period of the instrument granted. The amount recognized as expense is adjusted to reflect the number of equity instruments for which the related service conditions are expected to be met, such that the amount ultimately recognized reflects the number of instruments that meet the related service conditions at the vesting date.

For equity-based payments to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity-based instrument granted.

(d) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

For the year ended December 31, 2018 and up to the date of the RTO in October 2019, the Company was organized as a limited liability company in the State of California and had elected to be taxed as a partnership for US federal and state income tax reporting purposes. Accordingly, no provision for income taxes for these periods has been included in the accompanying financial statements since members’ report the earnings or loss of the Company on their respective individual tax returns.

(e) Financial instruments

The Company classifies its financial assets and liabilities in the following measurement categories:

i) Those to be subsequently measured at amortized cost; or
ii) Those to be subsequently measured at fair value (either through other comprehensive income (“FVOCI”), or through profit and loss (“FVPL”)).

The classification is driven by the business model for managing the financial asset and their contractual cash flow characteristics. As at December 31, 2019, the Company classifies all of its financial instruments, being cash, accounts receivable, accounts payable and accrued liabilities, and loans payable as subsequently measured at amortized cost.

At initial recognition financial assets and financial liabilities are measured at fair value less transaction costs except for financial assets classified as FVPL, where transaction costs are expensed directly to profit and loss.

The Company has no financial instruments measured at FVPL or FVOCI.

All financial assets except for those at FVPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company applies an expected credit loss ("ECL") model to all debt financial assets not held at FVPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

(f) Revenue recognition

The Company derives the majority of its revenues from the rental of electric scooters primarily through the Company's ridesharing platform. Revenue is presented net of discounts and returns.

For the year ended December 31, 2018, the Company derived the majority of its revenues from the sale of electric scooters and accessories.

The Company recognizes revenue from the sale of electric scooters when the electric scooters are shipped and when all significant contractual obligations have been satisfied. Revenues from the provision of ridesharing services is recognized upon completion of each trip, subject to the ultimate collectability of the revenue earned.

(g) Inventory

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Materials and supplies inventory consists of consumable and replacement parts and supplies and are valued at the lower of cost and net realizable value.

Management reviews inventory for obsolete, slow moving and damaged items and any such inventory is written down to net realizable value. As of December 31, 2019, management has written down of $194,121 (2018 - $68,543) on inventory representing parts and supplies for obsolete ridesharing vehicles.

(h) Intangible assets

The Company owns intangible assets consisting of patents, trademarks and its OjO Rideshare Application. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit and loss as incurred.

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

Amortization is recognized on a straight line basis over the estimated useful lives of intangible assets from the date they are available for use to the end of their useful lives. Patent & trademarks are amortized on a straight line basis over 15 years, while other intangible assets are amortized on a straight line basis over 7 years. Development assets not ready for use, including Rideshare Application development costs, are capitalized and will be amortized over an expected life of 3 years upon completion of the development stage.

(i) Equipment

Equipment is measured at cost less accumulated amortization. Amortization is recognized on a straight line or declining basis over the asset's useful life commencing from the time the asset is available for use. The initial cost of equipment includes the cost to purchase, plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the intended manner, including costs such as customs charges and shipping. Costs of major maintenance activities are capitalized as a separate component of equipment and amortized over the estimated useful life. Maintenance costs which cannot be separately defined as a component of equipment are expensed in the period in which they occur. Amortization rates used for each class of depreciable asset are:

Molds	*3 years straight line*
Machinery	*5 years straight line*
Furniture	*7 years straight line*
Vehicles	*6 years straight line*
Rideshare scooters & batteries	*2 years straight line*

An asset's residual value and useful life is reviewed during each financial year and adjusted if appropriate. The Company considers various factors when estimating the useful life of an asset including: i) expected usage of the asset and related physical wear and tear, ii) technical or commercial obsolescence arising from changes or improvements; and iii) legal or similar limits on use of the asset. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item recognized in profit and loss.

Spare parts that are required for the operation of rideshare scooters are carried as inventory and recognized in cost of goods sold as consumed.

(j) Research and development/software development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit and loss as incurred.

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

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. Development costs capitalized to date consist of costs to develop the Company's OjO Rideshare Application.

(k) Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets, are reviewed to determine whether there is any indication that these assets have impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit and loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of an asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(l) Capital

Capital includes members' capital and share capital. Capital contributions are classified as members' capital. Incremental costs directly attributable to the issue of members' units and equity-based payments are recognized as a deduction from equity, net of any tax effects. Share capital includes proceeds from issuance of shares while reserves includes consideration issued pursuant to equity-based compensation arrangements.

(m) Recent accounting standards

IFRS 16 – Leases ("IFRS 16") is a new standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Effective January 1, 2019, the Company adopted IFRS 16, and it did not have a significant measurement or disclosure impact on the Company's consolidated financial statements, as the Company has no leases greater than twelve months.

4. REVERSE TAKEOVER TRANSACTION

The Company executed a Business Combination Agreement in October 2019 with Arcturus, 1222932 B.C. Ltd. (a wholly owned subsidiary of Arcturus), OjO Electric US Holdings Corp. ("USCo") and 1148486 B.C. Ltd. ("1148486") pursuant to which the Company effected a reverse take-over of Arcturus, a TSXV listed entity (the "RTO") and the combined entity changed its name to OjO Electric Corp. (collectively the "Resulting Issuer") at the time. In connection with the Business Combination Agreement, certain securities of the Company were exchanged for 140,000 multiple voting shares of Arcturus ("MVS"). Certain securityholders of the Company were issued MVS (the "MVS Group") and control 80.02% of the outstanding voting rights of the Resulting Issuer on close of the RTO.

Concurrently with closing of the RTO, the Company issued 10,591,515 Limited Voting Shares ("LVS") pursuant to the private placement at a price of C$0.76 per share for gross proceeds of $6,103,035 (C$8,049,551). The Company also issued 1,201,946 LVS as transaction fees pursuant to the RTO, valued at $691,677, and 45,000 New Common A (which were immediately redeemed for equivalent LVS) as a loan bonus pursuant to bridge financing valued at $25,650 (Note 9).

As part of the RTO, the OjO Electric LLC ("OjO Electric") restructured such that a fourth amended and restated operating agreement ("2019 Operating Agreement") was executed that provided for the issuance of New Common A Units, New Common A-1 Units and New Class B Units. All currently outstanding Class A and C units converted into 22,978,932 New Common A Units, and all currently outstanding Class B units have become convertible into up to 7,069,707 New Class B Units. Convertible notes converted into 7,886,016 New Common A Units. In connection with the closing of the RTO, 29,356,785 New Common A-1 Units were issued to USCo, which was appointed the sole manager of the Company ("Manager").

Concurrent with the closing of the RTO, an aggregate of 140,000 New Common A Units were redeemed to certain securityholders into 140,000 MVS, and an aggregate of 5,397,925 New Common A Units were redeemed to LVS .

On the seventh anniversary of the 2019 Operating Agreement, all remaining New Common A Units (if any) will be automatically exchanged for LVS on a one-for-one basis (or cash equivalent, in the sole discretion of the Manager) and all remaining New Class B Units will be cancelled.

Pursuant to the RTO, as the shareholders of OjO Electric obtained control of the Resulting Issuer, the transaction is considered a purchase of Arcturus by OjO Electric and is considered to be a reverse acquisition. Consideration for the acquisition of Arcturus by OjO Electric includes 17,563,324 LVS at a value of $10,111,451 (being C$0.76 per LVS), 1,201,946 LVS issued pursuant to transaction costs with a value of $691,977 (being C$0.76 per LVS) and $909,610 of transaction costs, for total consideration of $11,713,038.

(Expressed in United States dollars)

Prior to the RTO, Arcturus did not have an active business and the RTO is accounted for as a capital transaction. Accordingly, the excess of consideration paid over the acquired net deficiency, being $12,075,580, is recorded as listing expense in profit and loss for the year ended December 31, 2019.

Net assets (deficiency) of Arcturus acquired:		
Cash	$	24,340
Other current assets		11,868
Accounts payable and other liabilities		(398,750)
Net deficiency acquired:		(362,542)
Listing Expense		12,075,580
Total:	**$**	**11,713,038**

5. INVENTORY

During the year ended December 31, 2019, the Company upgraded its existing rideshare fleet (the “V1 scooters”) with new OjO V2 scooters (the “OjO V2 scooters”). As such, as at December 31, 2019, the Company wrote down $194,121 of inventory related to V1 scooters that are not expected to have future value.

6. EQUIPMENT

Cost	Vehicle	Furniture	Machinery	Molds	Rideshare Scooters & Batteries	Total
Balance, December 31, 2017	$ 53,562	$ -	$ -	$ 497,874	$ -	$ 551,436
Additions	-	6,121	17,541	267,387	327,351	618,400
Disposals	-	-	-	(359,753)	-	(359,753)
Balance, December 31, 2018	53,562	6,121	17,541	405,508	327,351	810,083
Additions	-	-	-	-	3,496,463	3,496,463
Impairment	-	-	-	-	(478,952)	(478,952)
Balance, December 31, 2019	**$ 53,562**	**$ 6,121**	**$ 17,541**	**$ 405,508**	**$ 3,344,862**	**$ 3,827,594**

Accumulated depreciation	Vehicle	Furniture	Machinery	Molds	Rideshare Scooters	Total
Balance, December 31, 2017	$ 19,544	$ -	$ -	$ 369,480	$ -	$ 389,024
Additions	9,382	3,498	13,332	101,877	-	128,089
Disposals	-	-	-	(306,100)	-	(306,100)
Balance, December 31, 2018	28,926	3,498	13,332	165,257	-	211,013
Additions	8,928	2,623	3,508	135,168	326,116	476,343
Impairment	-	-	-	-	(122,069)	(122,069)
Balance, December 31, 2019	**$ 37,854**	**$ 6,121**	**$ 16,840**	**$ 300,425**	**$ 204,047**	**$ 565,287**

Carrying amount	Vehicle	Furniture	Machinery	Molds	Rideshare Scooters	Total
Balance, December 31, 2018	$ 24,636	$ 2,623	$ 4,209	$ 240,251	$ 327,351	$ 599,070
Balance, December 31, 2019	**$ 15,708**	**$ -**	**$ 701**	**$ 105,083**	**$ 3,140,815**	**$ 3,262,307**

During the year ended December 31, 2019, in connection with the Company’s upgrade to OjO V2 scooters, the Company determined V1 scooters had no future value and accordingly wrote down equipment with a net book value of $356,883.

(Expressed in United States dollars)

7. INTANGIBLE ASSETS

Cost		Patents & Trademarks		Rideshare App		Other		Total
Balance, December 31, 2017	$	78,316	$	-	$	5,728	$	84,044
Additions		26,333		393,640		-		419,973
Balance, December 31, 2018		104,649		393,640		5,728		504,017
Additions		14,889		-		-		14,889
Impairment		-		(393,640)		-		(393,640)
Balance, December 31, 2019	**$**	**119,538**	**$**	**-**	**$**	**5,728**	**$**	**125,266**

Accumulated depreciation		Patents & Trademarks		Rideshare App		Other		Total
Balance, December 31, 2017	$	6,871	$	-	$	764	$	7,635
Additions		6,245		-		382		6,627
Balance, December 31, 2018		13,116		-		1,146		14,262
Additions		7,639		127,046		819		135,504
Impairment		-		(127,046)		-		(127,046)
Balance, December 31, 2019	**$**	**20,755**	**$**	**-**	**$**	**1,965**	**$**	**22,720**

Carrying amount		Patents & Trademarks		Rideshare App		Other		Total
Balance, December 31, 2018	$	91,533	$	393,640	$	4,582	$	489,755
Balance, December 31, 2019	**$**	**98,783**	**$**	**-**	**$**	**3,763**	**$**	**102,546**

In connection with the Company acquisition of Gotcha Mobility LLC in February 2020, the Company transitioned to a new ridesharing platform and accordingly, wrote down the value of its current rideshare application as at December 31, 2019 with a net book value of $266,594.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2019		December 31, 2018
Accounts payable and accrued liabilities	$	2,319,096	$	291,175
Payroll liabilities		277,642		76,374
Other payables		169,161		75,172
Due to members (Note 10,14)		-		147,000
Total	**$**	**2,765,899**	$	589,721

9. LOANS PAYABLE

Promissory Notes

During the year ended December 31, 2019, the Company issued an additional $400,000 (December 31, 2018 - $800,000) in unsecured promissory notes with an annual interest rate of 12%, which were due and payable by June 2019. In connection with this liability, the Company accrued interest expense of $18,312 for the year ended December 31, 2019 (December 31, 2018 - $16,237) which was included in the balance of loans payable; pursuant to convertible note agreements signed in 2019, the total loan balance of $1,234,549 was converted into convertible notes (Note 10).

Bridge Loan

In September 2019, the Company secured a $1,000,000 bridge loan ("Bridge Loan") in order to fulfill pending and expected orders. The Bridge Loan bears interest at 10% per annum and matured on the closing of the RTO (Note 4). In connection with the Bridge Loan, the Company issued 45,000 New Common A Units to the lenders on the closing of the RTO valued at $25,650 which was recorded as finance expense in profit and loss. In connection with this liability, the Company paid interest expense of $10,411 for the year ended December 31, 2019 (December 31, 2018 - $nil). The balance of $1,010,411 was settled in full on closing of the RTO in October 2019.

(Expressed in United States dollars)

10. CAPITAL

Member & Share capital continuity:

	Members' Units						Share capital	
	Class A Units	Class B Units	Class C Units	New Common A Units	New Common A held by Manager Units	New Common A-1 held by Manager Units	LVS Shares	MVS Shares
Balance, December 31, 2017 - (Unaudited)	8,499,000	590,000	3,642,209	-	-	-	-	-
Issuance of Class B Units	-	728,000	-	-	-	-	-	-
Balance, December 31, 2018	**8,499,000**	**1,318,000**	**3,642,209**	**-**	**-**	**-**	**-**	**-**
Issuance of Class B Units	-	2,048,527	-	-	-	-	-	-
Issuance of New Common A for convertible notes	-	-		7,886,016	-	-	-	-
Conversion of Class A and Class C units to New Common A	(8,499,000)	-	(3,642,209)	22,978,932	-	-	-	-
Forfeiture of Class B units	-	(185,913)	-	-	-	-	-	-
Issuance of New Common A as loan bonus	-	-	-	45,000	-	-	-	-
Redemption of New Common A for MVS	-	-	-	(140,000)	140,000	-	-	140,000
Redemption of New Common A for LVS	-	-	-	(5,896,731)	5,896,731	-	5,896,731	-
Issuance of LVS for private placement	-	-	-	-	-	-	10,591,515	-
Issuance of LVS as fees on RTO	-	-	-	-	-	-	1,201,946	-
Issuance of New Common A-1 to Manager	-	-	-	-	-	29,356,785	-	-
Effect of RTO - shares of Arcturus	-	-	-	-	-	-	17,563,324	-
Balance, December 31, 2019	**-**	**3,180,614**	**-**	**24,873,217**	**6,036,731**	**29,356,785**	**35,253,516**	**140,000**

10. CAPITAL

Members' Capital

For the year ended December 31, 2018 and up until the RTO in October 2019, the legal parent company was OjO Electric, Californian limited liability company. Concurrent with the RTO, a Fourth Amended and Restated Operating Agreement dated October 16, 2019 ("2019 Operating Agreement") replaced the Third Amended and Restated Operating Agreement dated July 15, 2017 (the "2017 Operating Agreement"), where the authorized units were determined at the sole discretion of the Manager (or Board of Managers) of OjO Electric. The members' capital under the 2017 Operating Agreement included Class A, Class B and Class C units, and was restructured under the 2019 Operating Agreement to include New Common A, New Common A-1 and New Class B units.

Each Class A and C unit were entitled to one vote, while the Class B units are not entitled to vote unless required by law under the 2017 Operating Agreement. Class A units were limited to the founding members of the Company and a total of 8,499,000 Class A units were outstanding as at December 31, 2018 and prior to the implementation of the 2019 Operating Agreement.

Class B and New Class B units are considered to be 'profits interests' issued to key employees, consultants, advisors or services providers, are non-voting and subject to vesting conditions. Class B and New Class B unit holders shall not participate with respect to any fair market value of the Company accrued prior to the issuance of individual unit and are not entitled to distributions from operations. Class B and New Class B units may be subject to vesting pursuant to the underlying Unit Issuance Agreement. Each New Class B unit shall entitle its holder to share in the appreciation of the fair market value of the Company, once fully vested, at a predetermined formula not to exceed 2.1 New Common A Units per Class B Unit. The Company has reserved the maximum number of 7,069,707 New Common A units which the New Class B units would convert into, if all Class B Units were fully vested. If Class B or New Class B units are forfeited prior to their conversion into New Common A units, a predetermined group of OjO Electric founders has the right to issue additional New Common A units such that a total does not exceed the maximum number reserved for issuance.

Class C units were units issued in exchange for capital contributions; as of December 31, 2018 and prior to the implementation of the 2019 Operating Agreement, a total of 3,642,209 Class C units were outstanding.

Under the 2019 Operating Agreement, the Company has been appointed the sole Manager of OjO Electric LLC (through its subsidiary, OjO Electric US Holdings Corp.), and the Manager has sole discretion regarding the amounts and timing of distributions to members.

Under the terms of the 2019 Operating Agreement, each holder of the New Common A Units shall be entitled to redeem their New Common A Units in exchange for Resulting Issuer Limited Voting Shares ("LVS") on a one for one basis or cash, as determined by the Manager in its sole discretion.

On the seventh anniversary of the 2019 Operating Agreement, all remaining New Common A Units (if any) will be automatically exchanged for LVS on a one-for-one basis (or cash equivalent, in the sole discretion of the Manager) and all remaining New Class B Units will be cancelled.

Concurrently with the close of the RTO and the execution of the 2019 Operating Agreement, OjO Electric issued the following membership units:

i) Issued 45,000 New Common A units as a loan bonus for the Bridge loan, recorded as a financing expense of $25,650;
ii) Issued 7,886,016 New Common A unit as consideration for convertible debt of $4,123,575, which includes principal of $3,990,000 and accrued interest of $133,575, less withholding taxes of $61,593;
iii) Issuance of 2,048,527 Class B units;
iv) Issuance of 29,356,785 New Common A-1 units to the Manager, being the Company's wholly owned subsidiary, OjO Electric US Holdings Inc.
v) Advances from members of $147,000 was contributed to capital in October 2019 and included in reserves
vi) Redemption of 5,896,731 New Common A shares for LVS;
vii) Restructuring of membership units where Class A and C units were converted into 22,978,432 New Common A units.

Class B and New Class B units
The fair value of each Class B unit is estimated using the Black Scholes option pricing model, and the estimated fair value per Class B unit issued for the years ended December 31, 2019 and 2018 is $0.78. The inputs used in the measurement of the issuance date fair value of the Class B units is as follows: strike price of $1.41, expected volatility of 65%, expected life of 5 years, expected dividend yield of 0% and risk free interest rate of 2.07%.

For the year ended December 31, 2019, the Company issued 2,048,527 Class B units (2018 – 728,000) and as at December 31, 2019, there were a total of 719,428 unvested Class B units which are expected to vest over the next four years (2018 – 160,000), and 185,913 Class B units were forfeited. The Company recognized equity-based compensation expense of $847,806 (December 31, 2018 - $428,686) in connection with Class B units issued and vested during the period.

Convertible notes
During the year ended December 31, 2019, the Company completed a series of convertible note financings, issuing an aggregate principal amount of $3,990,000 Convertible Notes, of which $1,234,549 was converted from loans payable with accrued interest (Note 9). The Convertible Notes bear interest at a rate of 7% per annum and had a term of two years. Pursuant to the terms of the Convertible Notes, principal plus accrued interest will automatically be convertible into members' capital as follows:

a) In the event of a qualified financing the convertible notes will convert into the same class of equity as the qualified financing based on a conversion rate determined as the lesser of i) the pre-money valuation implied in the qualified financing or ii) $15,500,000, divided by the fully diluted membership units of the Company; or

b) On maturity, or in the event of a change of control, the convertible notes will convert into Class C Units of the Company at a conversion rate per unit equal to the lesser of $15,500,000 and the fair market value of the Company (as determined the Company's Board of Managers), divided by the fully-diluted membership units of the Company.

As the convertible notes were not repayable in cash but would only be settled through the issuance of capital, they were recorded in capital rather than as a liability prior to their conversion.

Effective October 2019, the total balance of $4,123,575 of Convertible Notes, (being $3,990,000 of principal and $133,575 of accrued interest), were converted into 7,886,016 New Common A units, net of withholding taxes of $61,593, of which a further 5,397,925 New Common A units were redeemed for 5,397,925 LVS immediately on close of the RTO.

The Company recorded accrued interest of $133,575 for the year ended December 31, 2019 in finance expense.

Share Capital

Authorized

Unlimited common shares with no par value
Unlimited preferred shares with no par value

Issued & fully paid common shares

In October 2019, in connection with the RTO (Note 4), a non-brokered private placement was completed for aggregate gross proceeds of $6,103,035 (C$8,049,551) through the issuance of 10,591,515 subscription receipts ("Subscription Receipts") at a price of C$0.76 per Subscription Receipt. Effective on closing of the RTO, each Subscription Receipt was exchanged such that the holder received one LVS. Finders' fees and other share issuance costs of $391,746 were paid in connection with this financing.

(Expressed in United States dollars)

In October 2019, the Company also issued 1,201,946 LVS as fees on the RTO with a value of $691,977 (Note 4) and 140,000 MVS shares (Note 4).

The Company issued 5,896,731 LVS for the redemption of New Common As for the year ended December 31, 2019.

Subsequent to December 31, 2019, the Company issued additional shares and warrants in connection with the acquisition of Gotcha Mobility LLC (Note 17), and as a result of the changes share ownership, the MVS share structure collapsed and the MVS shares were replaced with LVS.

Share options
During the year ended December 31, 2019, the Company adopted an incentive share option plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with TSX-V requirements, grant non-transferable share options to purchase LVS, provided that the number of LVS reserved for issuance in any twelve month period will not exceed 10% of the aggregate amount of LVS and the New Common A shares vested and redeemable issued and outstanding. Such options will be exercisable for a period of up to 10 years from the date of grant at a price not less than the closing price of the Company's shares on the last trading day before the grant of such options. Each option vesting period is determined on a grant by grant basis by the Board of Directors.

During the year ended December 31, 2019, the Company granted an aggregate of 6,050,000 share options to directors, officers, employees and other service providers to purchase up to the same number of LVS. The share options: have an exercise price of C$0.76 per limited voting share; expire October 16, 2029; and vest according to their terms. Using the Black-Scholes option pricing model, the fair value per option granted was C$0.55 per option and the stock-based compensation expense recognized for the vesting of these options to December 31, 2019, was $766,824, which does not include any value for forfeited options.

The following weighted average assumptions were used for the valuation of the share options:

	2019
Risk-free interest rate	**1.56%**
Expected life	**10 years**
Annualized volatility	**65.00%**
Dividend rate	**0.00%**

Following is a summary of changes in share options outstanding:

	Number of Options	**Weighted Average Exercise Price**	
Balance, January 1, 2018 and 2019	-		-
Granted	6,050,000	CAD	0.76
Forfeited	(1,000,000)	CAD	0.76
Balance, December 31, 2019	5,050,000	CAD	0.76

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

Outstanding	**Exercisable**	**Exercise Price**		**Expiry Date**
5,050,000	1,375,002	CAD	0.76	October 16, 2029
5,050,000	1,375,002			

Subsequent to December 31, 2019, 716,667 options were forfeited.

(Expressed in United States dollars)

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

A breakdown of the Company's selling, general and administrative expenses is as follows:

		December 31, 2019		December 31, 2018
Advertising, marketing & sales	**$**	**786,645**	$	252,397
Insurance		**149,774**		86,299
Office, administration, and regulatory		**387,261**		212,234
Rent		**86,945**		88,075
Travel		**152,318**		165,123
Total	**$**	**1,562,943**	$	804,128

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management

Cash, accounts receivable, accounts payable and accrued liabilities, and loans payable are held at amortized cost which approximates fair value due to the short-term nature of these instruments.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The maximum credit exposure at December 31, 2019 is the carrying amount of cash and accounts receivable. The Company does not have significant credit risk with respect to customers as individual customers have low transaction value and larger corporate customers are evaluated for creditworthiness prior to becoming a customer. The Company reduces its credit risk on cash by maintaining its bank accounts at a large international financial institution.

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 attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2019, the Company's financial liabilities consist of accounts payable and accrued liabilities, and loans payable, all of which have maturities of less than one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. As at December 31, 2019, the Company had current liabilities of $2,765,899 and working capital deficit of $1,971,527. See Note 1 for discussion of going concern and Note 17.

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. The Company does not have a practice of trading derivatives.

(Expressed in United States dollars)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The majority of the Company's transactions are transacted in the functional currency of the subsidiary to which the transaction relates and therefore the Company is not exposed to significant foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. Changes in short-term interest rates will not have a significant effect on the fair value of the Company's cash account.

13. CAPITAL MANAGEMENT

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent on future profitable operations and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the periods presented. The Company is not subject to externally imposed capital requirements.

14. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's directors and officers.

Key management personnel compensation during the year ended December 31, 2019 and 2018 were as follows:

		2019		2018
Salaries and wages	**$**	**972,372**	$	296,731
Interest on convertible debt		**17,546**		17,500
Rent		**-**		17,500
Equity-based compensation		**1,414,855**		-
	$	**2,404,773**	$	331,731

There were no other transactions with related parties during the years ended December 31, 2018 and 2019. There are no amounts owing to related parties as at December 31, 2019 other than accrued payroll of $250,000 (2018 - $147,000 (Note 8)).

(Expressed in United States dollars)

15. SEGMENT REPORTING

For the year ended December 31, 2019, the Company operates in one reportable segment, being the ridesharing business in the United States; for the year ended December 31, 2018, the Company operated in one reportable segment, being the sale of scooters in the United States and internationally. Revenue from individual customers is nominal and its customer base is diverse as a result of the ridesharing business. Revenue and non current financial assets based on geographical location is as follows:

	United States		International		Total	
Revenues - 2019	$	446,467	$	-	**$**	**446,467**
Revenues - 2018	$	401,038	$	195,538	**$**	**596,576**

	United States		International		Total	
December 31, 2019						
Equipment	$	3,157,224	$	105,083	**$**	**3,262,307**
Intangible assets	$	102,546	$	-	**$**	**102,546**
December 31, 2018						
Equipment	$	358,818	$	240,252	**$**	**599,070**
Intangible assets	$	489,755	$	-	**$**	**489,755**

16. INCOME TAX

The Company is a domestic tax filer in both Canada and the United States and the effective tax rate is considered to be the US tax rate of 21% for the year ended December 31, 2019 as a result of the RTO. For the year ended December 31, 2018, the Company was a Californian limited liability company that was taxed as a partnership and as such, no income tax is presented. Income tax expense differs from the amount that would be computed by applying the United States statutory income tax rate of 21% to income before taxes. The reasons for the differences are as follows:

		2019		2018
Loss for the year	$	(20,911,642)	$	-
Expected income tax (recovery)	$	(4,391,000)		-
Change in statutory, foreign tax, foreign exchange rates ar		281,000		-
Permanent differences		2,921,000		-
Impact of losses allocated to OjO Electric partners		465,000		-
Share issue cost		(106,000)		-
Change in unrecognized deductible temporary		830,000		-
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in United States dollars)

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2019	Expiry Date Range
Temporary Differences			
Share issue costs	$	313,000	2039-2045
Non-capital losses available for future periods	$	3,461,000	2039-Indefinite

As at December 31, 2019, the Company has Canadian non-capital losses of $307,000 and US non-capital losses of $3,154,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended December 31, 2039.

17. SUBSEQUENT EVENTS

Gotcha Acquisition

Pursuant to a Membership Interest Purchase Agreement dated January 20, 2020, as amended, the Company acquired all of the outstanding securities of Gotcha Mobility LLC and its wholly owned subsidiaries ("Gotcha") from Gotcha Media Holdings, LLC (the "Vendor") in consideration for the payment of $6 million in cash (the "Acquisition"), of which $250,000 was paid on closing of the Acquisition ("Closing"), $750,000 was paid through the issuance of a deferred promissory note due on the six-month anniversary of Closing, and $5 million was paid through the issuance of a second deferred promissory note due on the second anniversary of Closing. The Company also issued 11,637,500 LVS to the Vendor, and has agreed to issue $2.5 million in LVS to the Vendor, subject to satisfaction of certain conditions, on the six-month anniversary of Closing, such shares to be issued at a deemed price equal to the five day volume weighted average price (VWAP) of the Company's LVS as traded on the TSXV immediately before the date of issuance, subject to a minimum price of C$0.05. In addition, the Company funded February 2020 expenditures of $250,000.

In connection with the Acquisition, the Company also completed a concurrent non-brokered private placement of 20,790,966 million units at a price of C$0.40 per for gross proceeds of C$8,316,386 (the "Financing"). Each unit consists of one LVS and one share purchase warrant, with each warrant exercisable for a period of three years at C$0.60 per share, subject to acceleration at the option of the Company if the LVS of the Company trade above C$1.00 per share for ten consecutive trading days. In addition, if the LVS of the Company trade at over C$0.60 in the five trading days following completion of the Acquisition, the exercise price of the warrants will be readjusted to the greater of C$0.60 and the 5-day VWAP, subject to a maximum price of C$0.75. In connection with the Financing, the Company also issued 880,000 units (on the same terms as the units issued on the Financing) and 880,000 broker warrants to certain finders. The broker warrants are exercisable for a period of three years at C$0.40 per share. The Company also issued 232,750 LVS to a consultant as an administration fee in respect of the Acquisition and 10,000,000 warrants at an exercise price of $0.50 with a five year term and vesting over two years.

The acquisition of Gotcha is expected to be accounted for as a business combination and the net assets will be comprised primarily of working capital, rideshare equipment, leases, intangible assets and goodwill, and deferred taxes. The majority of the net assets is expected to comprise of the fair value of the intangible assets related to Gotcha's contracts entitling them to deploy up to 17,000 permits in various locations in the US. This estimate of consideration and purchase price allocation is a provision and subject to change.

As a result of the acquisition of Gotcha and subsequent financing, the MVS share structure collapsed and the 140,000 MVS shares outstanding were converted to 140,000 LVS.