
GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2019

(Unaudited – Expressed in Canadian Dollars)

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements they must be accompanied by a notice indicating that these interim financial statements have not been reviewed by the Company's auditors.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the interim financial statements and related financial reporting matters.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)

STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2019 AND DECEMBER 31, 2018

(Expressed in Canadian dollars)

	March 31, 2019	December 31, 2018
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 256,020	\$ 306,792
Amounts receivable (Note 3)	-	75,000
		<u>\$ 381,792</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 18,399	\$ 3,240
EQUITY		
SHARE CAPITAL (Note 4)	782,098	684,831
CONTRIBUTED SURPLUS	88,353	122,035
DEFICIT	(624,830)	(428,314)
	<u>237,621</u>	<u>378,552</u>
	<u>\$ 256,020</u>	<u>\$ 381,792</u>

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Notes 1 and 2)
SUBSEQUENT EVENTS (Note 7)

Approved on behalf of the Board:

"Damian Towns"
Director

"Bill Riker"
Director

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

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)

STATEMENTS OF COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Expressed in Canadian dollars)

	March 31, 2019	March 31, 2018
EXPENSES		
Legal fees	\$ 107,350	\$ -
Consulting Fees	59,890	-
Accounting	23,657	19
Listing and regulatory	5,903	2,353
Travel, Meals, & Entertainment	163	-
NET LOSS	\$ (196,963)	\$ (2,372)
OTHER INCOME		
Interest revenue	446	-
NET LOSS AND COMPREHENSIVE LOSS	\$ (196,517)	\$ (2,372)
LOSS PER SHARE – BASIC AND DILUTED	\$ (0.02)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,252,795	8,055,159

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

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Expressed in Canadian dollars)

	March 31, 2019	March 31, 2018
OPERATING ACTIVITIES		
Net loss for the quarter	\$ (196,517)	\$ (2,372)
Item not affecting cash:		
Share-based compensation	-	-
	-	-
Changes in non-cash working capital item:		
Accounts payable and accrued liabilities	15,160	(6,546)
Amounts receivable	75,000	-
Cash used in operating activities	(106,358)	(8,918)
FINANCING ACTIVITIES		
Shares issued for cash	55,585	-
Cash provided by financing activities	55,585	-
CHANGE IN CASH	(50,772)	(8,918)
CASH AND CASH EQUIVALENTS, BEGINNING OF QUARTER	306,792	470,443
CASH AND CASH EQUIVALENTS, END OF QUARTER	\$ 256,020	\$ 461,525
SUPPLEMENTAL INFORMATION		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)

STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Expressed in Canadian dollars)

	Number of Common Shares Issued		Amount of Common Shares Issued		Contributed Surplus		Deficit		Total
Balance, December 31, 2016	4,755,159	\$	387,574	\$	61,632	\$	(245,995)	\$	203,211
Shares issued	3,000,000		300,000		-		-		300,000
Share issuance cost	300,000		(2,743)		-		-		(2,743)
Comprehensive loss for the year	-		-		-		(54,109)		(54,109)
Balance, December 31, 2017	8,055,159	\$	684,831	\$	61,632	\$	(300,104)	\$	446,359
Comprehensive loss for the period	-		-		-		(2,372)		(2,372)
Balance, March 31, 2018	8,055,159	\$	684,831	\$	61,632	\$	(302,476)	\$	443,987
Share-based compensation	-		-		60,403		-		60,403
Comprehensive loss for the year	-		-		-		(125,838)		(125,838)
Balance, December 31, 2018	8,055,159	\$	684,831	\$	122,035	\$	(428,314)	\$	378,552
Comprehensive loss for the period	-		-		-		(196,517)		(196,517)
Shares Issued	555,850		97,267		(41,682)		-		-
Balance, March 31, 2019	8,611,009	\$	782,098	\$	80,353	\$	(624,830)	\$	237,621

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

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian dollars)

1. NATURE OF BUSINESS

Gulfstream Acquisition 1 Corp. (the "Company") was incorporated on June 8, 2012 under the Ontario Business Corporations Act. The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4 and accordingly, its planned principal activity is to use its capital to investigate and acquire a business or group of assets (the "Qualifying Transaction"). The address of the Company's principal place of business and registered office was Suite 701 - 130 Adelaide Street, Toronto, Ontario, Canada M5H 2K4 (Note 7) and subsequent to period end is 2225 Sheppard Avenue East, Suite 1200, Toronto, Ontario, Canada, M2J 5C2.

2. BASIS OF PREPARATION AND NATURE OF OPERATIONS

These interim condensed consolidated financial statements ("financial statements") have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations. Accordingly, these Financial Statements do not include all of the information and footnotes required by IFRS for complete annual financial statements, and should be read in conjunction with the Company's consolidated and audited financial statements as at and for the year ended December 31, 2018.

The financial statements of the Company for the three months ended March 31, 2019 were approved by the Board of Directors on May 13, 2019.

The functional and presentation currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note

3.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

New accounting pronouncements – IFRS 16 Lease Accounting

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lease 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 Company adopted IFRS 16 on January 1, 2019 and there was no material impact upon adoption.

Nature of Operations

As at March 31, 2019, the Company had no business operations and its only significant asset was cash. The Company reported a net loss of \$196,517 for the three months ended March 31, 2019 and has accumulated losses of \$624,830 since inception. Subsequent to period end, the Company completed the Qualifying Transaction ("QT") with Liberty Defense Holdings, Inc ("LPC"). With completion of the QT, the Company now believes it has sufficient funding to develop HEXWAVE for the next twelve months. Notwithstanding, in order to fully commercialize HEXWAVE it will require additional funds.

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian dollars)

3. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's officers and directors are considered key management personnel.

During the three months ended March 31, 2019, the Company did not have any transactions with key management other than a stock options exercise and share issuance totalling \$55,585.

During the year ended December 31, 2018, the Company did not have any transactions with its key management personnel or related parties other than share -based compensation of \$60,403.

As at March 31, 2019, there are no balances due to or from related parties.

4. SHARE CAPITAL

a) Authorized: Unlimited number of common shares without par value.

b) Issued and outstanding:

No common shares were issued during the year ended December 31, 2018.

On February 28, 2019, Officers and Directors of the Company exercised 555,850 stock options with an exercise price of \$0.10 per common share, and the Company issued 555,850 common shares at a price of \$0.10 per common share for aggregate proceeds of \$55,585.

c) Escrow shares

The Company has 2,655,850 shares held in escrow at March 31, 2019 (2018 – 2,100,000). Of the 2,100,000 original escrowed seed shares, 10% of the escrowed shares were released from escrow upon issuance of notice of final acceptance of a QT with LPC by the TSX-V and as the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

555,850 of the escrowed shares that were issued from exercise of stock options will be released from escrow upon issuance of notice of the final acceptance of a QT by the TSX-V.

d) Stock options

On April 18, 2018, the Company granted 199,485 stock options with an exercise price of \$0.10 per share expiring 5 years from the date of listing on the Exchange. The fair value of the options granted was \$14,967. The Company calculated the fair value of the share based payments using the Black-Scholes model.

On June 14, 2018, all 475,515 stock options issued and outstanding expired unexercised.

On July 18, 2018, the Company granted 606,015 stock options with an exercise price of \$0.10 per share expiring 5 years from the date of listing on the Exchange. The fair value of the options granted was \$45,436. The company calculated the fair value of the share based payments using the Black-Scholes model.

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

d) Stock options (continued)

On February 20, 2019, 249,650 stock options issued to Officers and Directors of the Company with an exercise price of \$0.10 per common share expired unexercised under the Company's Option Plan due to the resignation of a Director on November 22, 2018.

On February 28, 2019, Officers and Directors of the Company exercised 555,850 stock options with an exercise price of \$0.10 per common share, and the Company issued 555,850 common shares at a price of \$0.10 per common share for aggregate proceeds of \$55,585.

The following table summarizes stock options outstanding and exercisable at March 31, 2019 and December 31, 2018 and 2017:

	Number of options	Weighted average exercise price
Balance at December 31, 2017	475,515	\$0.10
Granted	805,500	0.10
Expired	(475,515)	(0.10)
Balance at December 31, 2018 (outstanding and exercisable)	805,500	\$0.10
Expired	(291,450)	(0.10)
Exercised	(555,850)	(0.10)
Balance at March 31, 2019 (outstanding and exercisable)	-	-

There are no stock options outstanding and exercisable at March 31, 2019.

Subsequent to period end and after completion of the QT, the Company issued 4,725,000 options with an exercise price of \$0.80 subject to vesting conditions.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2018
Share price	\$0.10
Expected life	5 years
Expected volatility	100%
Dividend yield	-
Risk-free interest rate	2.08%
Forfeiture rate	0%
Fair value per option	\$0.07

a) Warrants

There were no warrants outstanding at March 31, 2019 and 2018. In conjunction with the QT with LPC 19,733,05 warrants for common shares were issued and 796,022 warrant for units were issued. (Note 7)

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable, none of which are valued at fair value. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity.

7. QUALIFYING TRANSACTION AND SUBSEQUENT EVENTS

Liberty Defense Holdings Inc.- April 3, 2019

On April 3, 2019 the Company completed its QT transaction with LPC.

On November 29, 2018, the Company had previously entered into a letter of intent (LOI) with LPC. On January 24, 2019, the Company entered into a business combination agreement (the "Agreement") with LPC with respect to the acquisition of all issued and outstanding shares of LPC by the Company. Pursuant to the Agreement, the QT was subsequently completed by way of a three-cornered amalgamation whereby a wholly-owned subsidiary of the Company amalgamated with LPC and the amalgamated company became a wholly-owned subsidiary of the Company.

Under the terms of the Agreement, the Company's outstanding common shares were consolidated 2.5:1 and shareholders of LPC received one common share of the Company in exchange for one common share of LPC. The QT resulted in the shareholders of LPC acquiring control of the Company and for accounting purposes will be recorded as a reverse take-over of the Company.

Gulfstream shareholders' approved the Transaction with Liberty on February 20, 2019 at a special shareholder meeting. On February 28, 2019, LPC also approved the QT.

In connection with the QT, LPC completed a financing of \$7,060,000 of subscription receipts on March 7, 2019 and the QT was completed on April 3, 2019. These financial statements only reflect the transactions of the Company up to March 31, 2019 and exclude the transactions of LPC. Notwithstanding the notes to the financial statements include disclosure on the QT.

Share Capital

Following the completion of the QT, Liberty Defense Holdings Ltd. ("Liberty") (formerly Gulfstream) had a total of 66,549,721 common shares issued and outstanding. In conjunction with the QT the following issuances occurred, in addition to the Gulfstream implementing a share consolidation on a 2.5:1 basis (the "Share Consolidation"), resulting in 3,444,404 common shares remaining outstanding.

1,167,163 common shares were issued for finders' fees associated with the QT. 61,938,155 shares were issued to LPC shareholders including conversion of the Subscription Receipts financing whereby LPC raised gross proceeds of 7.06 million from the sale of 8,826,630 subscription receipts at a price of \$0.80 per Subscription Receipt.

GULFSTREAM ACQUISITION 1 CORP.
(Subsequently renamed Liberty Defense Holdings, Ltd.)
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian dollars)

7. QUALIFYING TRANSACTION AND SUBSEQUENT EVENTS (CONTINUED)

The existing warrants of LPC, including from those from the Subscription Receipts, were converted into warrants of Issuance of Liberty. The following table summarizes the outstanding warrants as of May 9, 2019:

Warrants to purchase common shares	19,733,055
Warrants to purchase units	796,022

The warrants to purchase common shares are associated the conversion of LPC warrants into Liberty warrants; 8,956,425 warrants have exercise prices of \$1.10 with expiry dates in October 2020, 8,826,630 warrants have exercise prices of \$1.10 with expiry dates in April 2021 and 1,950,000 warrants have exercise prices of \$0.80 with expiry dates in January 2022.

The warrants to purchase units entitle the holder to purchase one unit of the Corporation consisting of one common share and one additional share warrant with an exercise price of \$1.10. 292,087 unit warrants have an exercise price of \$0.80 and expire in October 2020 and 503,935 unit warrants with an exercise price of \$0.80 and expire in March 2021.