Liberty Defense Holdings, Inc.

Interim Condensed Consolidated Financial Statements
Three Months Ended March 31, 2019
(unaudited, expressed in U.S. dollars, except where indicated)

Liberty Defense Holdings, Inc.

Interim Condensed Consolidated Statement of Financial Position

(unaudited, expressed in U.S. dollars, except where indicated)

	March 31, 2019 $'s	December 31, 2018 $'s
Assets		
Current assets		
Cash and cash equivalents	1,501,179	3,664,397
Restricted cash (note 3)	4,988,834	-
Receivables & prepaids (note 4)	820,150	252,119
Deferred financing fees	-	74,977
	7,310,163	3,991,493
Property & equipment (note 5)	372,243	64,551
Intangible asset	115,143	115,143
Total assets	**7,797,549**	**4,171,187**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	893,621	437,210
Lease liabilities	99,532	-
	993,153	437,210
Non-current lease liabilities	229,800	-
Total liabilities	**1,222,953**	**437,210**
Shareholders' equity		
Common shares (note 7)	4,735,793	4,277,990
Contributed surplus	6,565,655	2,462,334
Accumulated other comprehensive income ("AOCI")	(127,793)	(227,955)
Deficit	(4,599,059)	(2,778,392)
Total equity	**6,574,596**	**3,733,977**
Total liabilities and equity	**7,797,549**	**4,171,187**

Nature of operations (note 1)
Subsequent event (note 3 and 11)

"Bill Riker"
Director

"Damian Towns"
Director

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

Liberty Defense Holdings, Inc.

Interim Condensed Consolidated Statement of Loss and Comprehensive Loss

(unaudited, expressed in U.S. dollars, except where indicated)

	Three Months ended March 31, 2019 $'s
Expenses	
Brand & Market Awareness	
Marketing	148,343
Salaries & Consulting Fees	23,394
Travel and miscellaneous	44,300
	216,037
Research and Development	
Depreciation	30,104
Legal fees	7,959
Other	38,188
Salaries & Consulting Fees	497,555
Technology costs	315,051
Travel and miscellaneous	16,354
	905,211
General and Administrative	
Depreciation	570
Foreign exchange gain	1,761
Legal fees	19,631
Marketing and investor relations	142,384
Other	31,170
RTO transaction costs	158,946
Salaries & Consulting Fees	299,760
Travel and miscellaneous	11,985
	666,207
Loss for the period	**1,787,454**
Other comprehensive income	
Items that may be reclassified subsequently to net income:	
Foreign currency translation adjustment	(100,162)
Loss and comprehensive loss for the period	**1,687,292**
Basic and diluted loss per share ($ per share)	**0.03**
Weighted average shares outstanding (000's)	**52,815**

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

Liberty Defense Holdings, Inc.

Interim Condensed Consolidated Statement of Shareholders' Equity

(unaudited, expressed in U.S. dollars, except where indicated)

	Common shares					
	Number of Shares	**Amount**	**Contributed surplus**	**AOCI**	**Deficit**	**Total**
Balance at January 1, 2019	51,311,525	$4,277,990	$2,462,334	($227,955)	($2,778,392)	$3,733,977
Lease accounting adjustment (note 2)	-	-	-	-	(33,213)	(33,213)
Issue of subscription receipts (note 3)	-	-	4,561,125	-	-	4,561,125
Issue of advisor warrants (note 9)	1,800,000	457,803	(457,803)	-	-	-
Foreign currency translation adjustment	-	-	-	100,162	-	100,162
Loss for the period	-	-	-	-	(1,787,454)	(1,787,454)
Balance at March 31, 2019	53,111,525	4,735,793	6,565,656	(127,793)	(4,599,059)	6,574,597

Liberty Defense Holdings, Inc.

Interim Condensed Consolidated Statement of Cash Flows

(Expressed in U.S. dollars, except where indicated)

	Three Months ended March 31, 2019 $'s
Cash flows from operating activities	
Loss for the period	(1,787,454)
Items not affecting cash	
Interest expense	7,963
Depreciation	30,674
	(1,748,817)
Change in non-cash operating working capital	
Increase in receivables and prepaid expenses	(568,031)
Increase in accounts payable and accrued liabilities	373,988
	(1,942,860)
Cash flows from financing activities	
Issuance of subscription receipts (gross) (note 3)	-
Subscription receipts issuance costs	(274,409)
Principal elements of lease repayment (note 2)	(23,037)
Interest elements of lease repayment (note 2)	(7,963)
	(305,409)
Cash flows from investing activities	
Payments for property & equipment	(15,109)
Payments for intangible assets	-
	(15,109)
Exchange rate differences on cash and cash on hand equivalents	100,162
Decrease in cash and cash equivalents	(2,163,217)
Cash and cash equivalents - beginning of period	3,664,397
Cash and cash equivalents - end of period	1,501,179

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

(Expressed in U.S. dollars, except where indicated)

1 Nature of operations

Liberty Defense Holdings Inc. (the "Company" or "LPC"), previously Trovec Holdings Inc., was incorporated under the Business Corporation Act of Ontario in April 2018. The Company, through its wholly owned subsidiary Liberty Defense Technologies Inc. ("LDT"), is principally engaged in the commercialization of an active 3D imaging technology system to detect concealed weapons utilizing HEXWAVE technologies. The Company's primary office is located at Suite 1030, 200 Granville St, Vancouver, British Columbia, Canada, V6C 2R3 and its registered and records office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, ON M5L 1B9.

2 Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all the information required for full annual financial statements.

Adoption in Accounting Policies – IFRS 16 Lease Accounting

The Company has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January1, 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to its office lease which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. This liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 9.2%.

The associated right-of-use asset for the office lease was measured on a retrospective basis as if the new rules had always been applied.

Operating lease commitments disclosed as at 31 December 2018	408,729
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(56,360)
Lease liability recognised as at 1 January 2019	352,369
Of which are:	
Current lease liabilities	96,352
Non-current lease liabilities	256,017
	352,369

The company recognized a right-of-use asset relating to its office lease as at January 1, 2019 amounting to $319,157.

On January 1, 2019, the company recorded the following retrospective adjustment in relation to the adoption of IFRS 16.

Retrospective Adjustment	
Retained earnings (Debit)	33,213
Right-of-use asset (Debit)	319,157
Current finance lease obligation (Credit)	(96,352)
Non-current finance lease obligation (Credit)	(256,017)
Total	-

3 Reverse takeover of Gulfstream

In April 2019, Liberty completed its business combination and reverse takeover transaction of Gulfstream Acquisition 1 Corp. (“Gulfstream”) whereby Gulfstream acquired all of the issued and outstanding securities of Liberty in exchange for equity in Gulfstream (the “RTO”). The RTO had commenced with a letter of intent (“LOI”) dated November 2018 with Gulfstream, a capital pool company. The RTO transaction constituted Gulfstream’s “Qualifying Transaction” under the policies of the TSX Venture Exchange (the “Exchange”). Pursuant to the RTO transaction:

- Gulfstream changed its name to “Liberty Defense Holdings, Ltd.” (“Liberty”), and its stock symbol to SCAN
- Gulfstream filed its filing statement on March 29, 2019 and completed the RTO on April 3, 2019.
- Immediately prior to the completion of the RTO transaction Gulfstream completed a share consolidation of 2.5:1 reducing its issued and outstanding shares to 3,444,404
- In conjunction with the RTO a finders fee of 1,167,163 shares was issued.

The RTO transaction was subject to completion of a QT Financing. The QT Financing was comprised of a brokered private placement of subscription receipts (the “Subscription Receipts”) which raised gross proceeds of CA$7 million at an issue price of CA$0.80 per Subscription Receipt (the “QT Financing”). The Subscription Receipts closed on March 7, 2019 and was subsequently converted into the issuance of 8,826,630 units of Liberty on April 3, 2019. As a result, as of March 31, 2019, LPC recorded approximately restricted cash of $5.0 million associated with the Subscription receipts and increased contributed surplus. Each Liberty unit is comprised of one Liberty common share and one Liberty common share purchase warrant exercisable into one Liberty common share at a price of CA$1.10 per Liberty warrant for a period of 24 months from the date the escrow release conditions are satisfied. Liberty has the option to accelerate the expiry date of the warrants if the daily volume weighted average price of the common shares is greater than CA$2.00 per share for the preceding ten consecutive trading days.

As of March 31, 2019, the following was recorded in these financial statements

- Issuance of 8,826,630 subscription receipts for gross proceeds of CA$7.1M.
- Issuance of 503,935 broker and advisor warrants exercisable at CA$0.80 for one unit comprised of one common share and one warrant exercised at CA$1.10

In April 2019, the following will be recorded in the financial statements of Liberty

- Conversion of the subscription receipts into units of the Liberty representing one common share and one warrant

4 Receivables & prepaids

As of March 31, 2019, the Company had $98,005 (December 31, 2018: $42,420) in receivables and $722,145 (December 31, 2018: $209,699) in prepaids.

(Expressed in U.S. dollars, except where indicated)

5 Property & equipment

$	Leasehold Improvements	Equipment	Right of Use Asset	Total
Cost				
At April 30, 2018	-	-	-	-
Additions	12,058	61,095	-	73,153
At December 31, 2018	12,058	61,095	-	73,153
Additions	6,490	12,725	344,353	363,569
At March 31, 2019	18,548	73,820	344,353	436,722
Accumulated Depreciation				
At April 30, 2018	-	-	-	-
Depreciation for the period	1,764	6,838	-	8,602
At December 31, 2018	1,764	6,838	-	8,602
Opening adjustments	-	-	25,197	25,197
Depreciation for the period	1,157	4,326	25,197	30,679
At March 31, 2019	2,922	11,163	50,393	64,478
Net Book Value				
At April 30, 2018	-	-	-	-
At December 31, 2018	10,294	54,257	-	64,551
At March 31, 2019	**15,626**	**62,657**	**293,960**	**372,243**

On January 1, 2019 upon adoption of IFRS 16 (note 2) the Company recognized a financial lease for its office lease in Peachtree Corners, Atlanta. Georgia.

6 Accounts payable and accrued liabilities

As of March 31, 2019, the Company had $278,620 (2018: $345,830) in accounts payables and $615,001 (2018: $91,380) in accruals.

7 Common shares

Authorized
The Company has an unlimited number of authorized common shares without par value.

Issued
The issued and outstanding share capital for the period ended March 31 2019 was 53,111,525.

Prior to December 31, 2018, the Company had entered into agreements with a number of advisors to issue shares and or warrants for services to be performed. In January 31, 2019, the Company issued 1,800,000 common shares with a deemed value of CA$602,046 (750,000 which have been valued on the same basis as the CA$0.05 Unit offering as well as 1,050,000 valued based on the CA$0.80 Unit offering exercisable at CA$0.80).

In addition, pursuant to the reverse takeover (note 3), on March 7, 2019, the Company issued 503,935 Advisory and Broker warrants with a deemed value of CA$163,312 (booked to contributed surplus) to purchase a unit at CA$0.80. Each Broker warrant entitles the holder to purchase one common share and one share purchase warrant. Each share purchase warrant can be exercised for CA$1.10. As at March 31, 2019 there were no Advisory and Broker warrants exercised. Furthermore, on March 7, 2019 an additional 8,826,630 warrants were issued relating to the QT financing all of which are booked as part of contributed surplus and can be exercised for CA$1.10.

Subscription receipts
Pursuant to the RTO the Company issued 8,826,630 subscription receipts. Each subscription receipts entitled the holder to one unit in Liberty (note 3) upon completion of the RTO. On April 3, 2019, the RTO was completed and the subscription receipts were converted into units of Liberty. The conversion of the subscription receipts to units in Liberty was subject to completion of the RTO and therefore as of March 31, 2019 the Company the subscription receipts in contributed surplus and the proceeds as restricted cash.

As of April 30, 2019, Liberty had a total of 66,549,721 common shares outstanding.

8 Stock options and warrants

Options
As at March 31, 2019, the Company has not issued any stock options under its stock plan. In April 2019, Liberty issued 4,725,000 with an exercise price of CA$0.80.

Warrants
The Company has issued warrants for both common shares and units (comprising one common share and one further common share warrant). As of March 31, 2019 the Company had 10,906,425 common share warrants and 796,022 unit warrants for a total of 12,498,469 dilutive securities, these numbers did not include the possible warrants from conversion of the subscription receipts (note 3) into units of Liberty.

As of March 31, 2019 the Company had the following warrants for common shares outstanding:

(Expressed in U.S. dollars, except where indicated)

8 Stock options and warrants (continued)

Warrants – common shares

	March 31, 2019	
	Number of warrants	Weighted average exercise price CA$
Outstanding – January 1	8,956,425	1.10
Issued	1,950,000	0.80
Exercised	-	-
Outstanding – March 31	**10,906,425**	**1.05**

Prior to December 31, 2018 the Company had into agreements with a number of advisors to issue 1,950,000 warrants with a deemed value of CA$219,406 and had recorded the cost of these warrants in contributed surplus. In January 2019, the Company issued these warrants which are exercisable into one common shares at an exercise price of CA$0.80 for a period of three years. As of March 31, 2019 the company had the following warrants for units outstanding

Warrants – units

	March 31, 2019	
	Number of warrants	Weighted average exercise price CA$
Outstanding – January 1	292,087	0.80
Issued	503,935	0.80
Exercised	-	-
Outstanding – March 31	**796,022**	**0.80**

In conjunction with the QT financing (note 3) the Company issued 503,935 Broker Unit warrants. Each broker unit warrant entitles the holder to acquire one unit of the Company representing one common share and a further share purchase warrant for CA$0.80 for a period of 2 years from March 7, 2019. Each share purchase warrant is exercisable at CA$1.10 per common share for a period of 2 years, subject to an accelerated exercise clause whereby if the daily volume-weighted average trading price for any 10 consecutive trading days is great than $2.00 per share, the Company may provide written notice to accelerate the expiry date of the warrants to 30 days after providing such notice.

The warrants issued in the period were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of warrants granted and can be summarized as follows:

Warrants	
Risk-free interest rate	1.55% to 2.24%
Expected life	1 to 1.75 years
Expected volatility	88 to 110%
Expected dividend	0%

Subsequent to period end, upon completion of the RTO the subscription receipts were converted to units in LDH Ltd and a further 8,826,630 warrants at CA$1.10 for a period of two years were issued subject to an accelerated exercise clause whereby if the daily volume-weighted average trading price for any 10 consecutive trading days is great than $2.00 per share, the Company may provide written notice to accelerate the expiry date of the warrants to 30 days after providing such notice.

(Expressed in U.S. dollars, except where indicated)

9 Related party transactions

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.

$	March 31, 2019
Short-term employee benefits	351,460
Share-based payments	-
Total key management personnel	**351,460**

As at March 31, 2019 accounts payable and accrued liabilities includes $9,403 due to officers and directors of the Company or to companies controlled by directors and officers of the Company.

During the period, a total of CA$15,750 was expensed and or accrued relating to Makena Management Group Ltd., a company whose principal was a director of the Company.

10 Financial instruments

As at March 31, 2019, the Company's financial instruments comprise of cash and cash equivalents, receivables, and accounts payable and accrued liabilities, none of which are valued at fair value. The fair values of receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

11 Subsequent events

Subsequent to period end, the Company entered into a new five-year office lease in Vancouver totalling approximately $4,500 per month.