# POND TECHNOLOGIES HOLDINGS INC.

**(formerly, IRONHORSE OIL & GAS INC.)**

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**AS AT MARCH 31, 2019**

**(Canadian dollars in thousands)**

**(UNAUDITED)**

**NOTICE OF NON-REVIEWED INTERIM CONDENSED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review or the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Pond Technologies Holdings Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these 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.

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

# Pond Technologies Holdings Inc.

**(formerly, IRONHORSE OIL & GAS INC.)**

**Interim Condensed Consolidated Balance Sheet**

*(in Canadian dollars 000's)*

(Unaudited)

| **As at** | Notes | | **March 31, 2019** | | Dec 31, 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash | | **$** | **622** | $ | 2,824 |
| Receivables | | | **678** | | 135 |
| Contract receivable | 10 | | **1,661** | | 1,000 |
| Inventory | | | **174** | | - |
| Prepaid expenses and other assets | | | **67** | | 308 |
| | | | **3,202** | | 4,267 |
| Intangibles | 3 | | **2,294** | | 2,342 |
| Goodwill | 2 | | **4,375** | | - |
| Right-of-use asset | 7 | | **114** | | - |
| Capital assets | 4 | | **5,419** | | 4,256 |
| **Total assets** | | **$** | **15,404** | $ | 10,865 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payables and accrued liabilities | 5 | **$** | **1,697** | $ | 1,081 |
| Lease liability | 7 | | **36** | | - |
| Current portion of loans payable | 6 | | **3,973** | | 3,698 |
| Deferred revenue | 10 | | **427** | | 533 |
| | | | **6,133** | | 5,312 |
| Lease liability | | | **78** | | |
| Decommissioning liabilities | 8 | | **100** | | 96 |
| Long-term portion of loans payable | 6 | | **126** | | 170 |
| **Total liabilities** | | **$** | **6,437** | $ | 5,578 |
| **Equity** | | | | | |
| Share capital | 9 | **$** | **28,363** | $ | 23,676 |
| Contributed surplus | 9 | | **3,953** | | 4,593 |
| Accumulated other comprehensive gain | | | **2** | | - |
| Deficit | | | **(23,351)** | | (22,982) |
| **Shareholders' equity / (deficency)** | | | **8,967** | | 5,287 |
| **Total liabilities and shareholders' equity** | | **$** | **15,404** | $ | 10,865 |

Approved on behalf of the Board:

| "Gerry Quinn" | "Steve Martin" |
|---|---|
| Director | Director |

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

# Pond Technologies Holdings Inc.

**(formerly, IRONHORSE OIL & GAS INC.)**

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

*(in Canadian Dollars 000's)*

(Unaudited)

| | | | | | Note 1 Restated |
|---|---|---|---|---|---|
| **For the three months ended March 31,** | Notes | | **2019** | | 2018 |
| **Revenue** | | | | | |
| Revenue from operations | 10, 14 | **$** | **1,989** | $ | 498 |
| | | | **1,989** | | 498 |
| **Expenses** | | | | | |
| Direct costs and expenses | | | **1,528** | | 411 |
| Operating expenses | 11 | | **582** | | 393 |
| General and administrative expense | 11 | | **535** | | 304 |
| Stock-based compensation | 9 | | **46** | | 15 |
| | | | **2,690** | | 1,123 |
| **Operating loss** | | **$** | **(702)** | $ | (625) |
| **Other income / (expense)** | | | | | |
| Interest income | | | **7** | | 5 |
| Financial expenses | 12 | | **(118)** | | (158) |
| Amortization and depletion | 3,4 | | **(242)** | | (205) |
| **Net loss from operation** | | **$** | **(1,055)** | $ | (983) |
| Items that will be reclassed subsequently to income: | | | | | |
| Foreign currency translation | | | **2** | | - |
| **Net loss and comprehensive loss** | | **$** | **(1,053)** | $ | (983) |
| Basic weighted average number of shares | | | **19,932,965** | | 15,734,336 |
| Diluted weighted average number of shares | | | **24,228,431** | | 15,734,336 |
| Basic loss per common share | | | **(0.05)** | | (0.06) |
| Dilutive loss per common share | | | **(0.04)** | | (0.06) |

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements*

# Pond Technologies Holdings Inc.

**(formerly, IRONHORSE OIL & GAS INC.)**

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(in Canadian Dollars 000's, number of shares and warrants 000's)

(Unaudited)

| | Number of Shares | Number of Warrants | Share Capital | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balance - January 1, 2018** | 12,731 | 2,599 | $ 13,678 | $ 1,868 | $ (17,609) | $ (2,063) |
| Shares issued in connection with business | | | | | | - |
| combination transaction (Note 2, 9) | 4,041 | - | 6,224 | - | - | 6,224 |
| Shares issued concurrent financing (Note 9) | 2,642 | | 4,068 | | - | 4,068 |
| Warrants issued | | 2,837 | | 2,463 | | 2,463 |
| Share issuance costs | - | - | (690) | (153) | - | (843) |
| Stock-based compensation expense | - | - | - | 15 | - | 15 |
| Net loss and comprehensive loss for the period | - | - | - | - | (983) | (983) |
| **Balance - March 31, 2018** | **19,414** | **5,436** | **23,281** | **4,193** | **(18,592)** | **8,882** |
| Shares issued to purchase distribution rights | 516 | - | 320 | - | - | 320 |
| Shares issued from conversion of Agent Warrants | 2 | - | 6 | - | - | 6 |
| Warrants and Agent Warrants expired or exercised | - | (419) | 70 | (70) | - | - |
| Grant of deferred share units (Note 9) | - | - | - | 133 | - | 133 |
| Stock-based compensation expense | - | - | - | 338 | - | 338 |
| Net loss and comprehensive loss for the period | - | - | - | - | (4,391) | (4,391) |
| **Balance - December 31, 2018** | **19,933** | **5,017** | **23,677** | **4,594** | **(22,983)** | **5,287** |
| | | | | | | - |
| Acquisition of Regenurex Health Corporation (Note 2) | - | - | 4,687 | - | - | 4,687 |
| Extension of warrants (Note 9) | | | | (687) | 687 | - |
| Grant of deferred share units (Note 9) | - | - | - | 41 | - | 41 |
| Stock-based compensation expense | - | - | - | 5 | - | 5 |
| Foreign currency translation adjustment | - | - | - | - | 2 | 2 |
| Net loss for the period | - | - | - | - | (1,055) | (1,055) |
| **Balance - March 31, 2019** | **19,933** | **5,017** | **$ 28,363** | **$ 3,953** | **$ (23,349)** | - **$ 8,967** |

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements*

# Pond Technologies Holdings Inc.

**(formerly, IRONHORSE OIL & GAS INC.)**

**Interim Condensed Consolidated Statements of Cash Flows**

*(in Canadian dollars 000's)*

(Unaudited)

| For the three months ended March 31, | Notes | | 2019 | | Note 1 Restated 2018 |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Cash receipts from customers | | **$** | **1,097** | $ | 463 |
| Contract receivables, net | | | **(627)** | | **-** |
| Cash paid to suppliers and employees | | | **(2,306)** | | (1,671) |
| Interest paid | | | **(72)** | | (161) |
| Interest received | | | **9** | | 4 |
| **Cash flows used in operating activities** | | | **(1,899)** | | (1,365) |
| **Investing Activities** | | | | | |
| Cash arising from business acquisitions | | | **61** | | 2,129 |
| Purchase of capital assets | 4 | | **(57)** | | (83) |
| Cash used in investing activities | | | **4** | | 2,046 |
| **Financing Activities** | | | | | |
| Proceeds from issuance of shares, net of issuance costs | 9 | | **-** | | 5,498 |
| Repayments of loans payable | | | **(307)** | | (1,300) |
| **Cash provided by financing activities** | | | **(307)** | | 4,198 |
| **Net change in cash** | | | **(2,202)** | | 4,879 |
| **Cash beginning of period** | | | **2,824** | | 1,282 |
| **Cash, end of period** | | **$** | **622** | $ | 6,161 |

*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements*

## 1. REPORTING ENTITY AND BASIS OF PRESENTATION

### Reporting Entity

Pond Technologies Holdings Inc., formerly, Ironhorse Oil & Gas Inc., (the "Company" or "Pond") is incorporated under the Business Corporations Act of Alberta. Effective January 30, 2018 the Company completed a reverse take-over and change of business transaction with Pond Technologies Inc. by way of a three-cornered amalgamation, that resulted in, amongst other things, the Company changing its name from Ironhorse Oil & Gas Inc. ("Ironhorse") to Pond Technologies Holdings Inc. (Note 5). Pond Technologies Inc. was the effective acquirer of Ironhorse and therefore the prior year comparison amounts are those reported by Pond Technologies Inc.

Prior to January 30, 2018, Ironhorse's primary business was the development and production of petroleum and natural gas reserves in western Canada. Post-amalgamation, Pond's primary business is the pursuit of microalgal biomass production using raw stack gas emissions from industrial emitters. The Company's technology offers industrial emitters an opportunity to generate significant revenue from their greenhouse gas emissions, through production of valuable biomass. These revenue streams for the Company's customers may be further augmented by the potential generation and sale of carbon credits.

As of February 6, 2018, the Company's shares began trading on the TSX Venture Exchange under the new trading symbol "POND". The Company's principal place of business is now located at Unit 8, 250 Shields Court, Markham, Ontario.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business for the foreseeable future.

The Company is in the early commercialization stage, has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations.

For the three months ended March 31, 2019, the Company recorded a net loss from operations of $1,055 (2018 – $983). The Company's ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds and realization of profitable operations. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurance that it will be successful in doing so. These circumstances lend significant doubt and material uncertainty as to the ability of the Company to meet its obligations as they come due and, accordingly, the ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and balance sheet 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. Such adjustments could be material.

### Statement of Compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

## 1. REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

**Statement of Compliance** (continued)

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 27, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent consolidated annual financial statements of Pond Technologies Holdings Inc. as at and for the year ended December 31, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the quarter ending March 31, 2019 could result in restatement of these condensed interim financial statements.

Certain balances in the previous year have been reclassified to conform to the current year's basis of presentation.

**New accounting pronouncements adopted**

**IFRS 16 - Leases**

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. IFRS 16 supersedes previous accounting standards for leases, including IAS 17, Leases and IFRIC 4 – Determining whether an arrangement contains a lease. As a result of adopting IFRS 16, the Company has recognized an increase to both assets and liabilities on the Consolidated Balance Sheet, as well as a decrease in rent expense, with a corresponding increase in amortization (due to depreciation of the right-of-use assets) and increase in finance costs (due to accretion of the lease liability).

The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

**IFRS 16 – Leases** (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

**Impact of adoption of IFRS 16**

On January 1, 2019, and during 2018 the Company had no leases with a term in excess of 12 months and accordingly the information presented in 2018 has not been restated. On January 30, 2019 the Company acquired Regenurex Health Corporation (Note 2) which had entered into a three year lease starting in February 1, 2019. The Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $122 were recorded as of February 1, 2019, as part of the purchase price allocation (Note 2) with no net impact on deficit. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 12%.

**IFRIC 23 Uncertainty over Income Tax Treatments**

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The interpretation clarifies the accounting for income tax treatments (current and deferred tax) that have yet to be accepted by tax authorities. The Company adopted the Interpretation in its financial statements effective January 1, 2019. Adoption of the Interpretation did not have a material impact on the financial statements.

## 2. BUSINESS COMBINATION TRANSACTIONS

*Ironhorse and Pond Technologies Inc.*

On January 30, 2018, Ironhorse completed a business combination (the "Transaction") with Pond Technologies Inc. ("PTI") by way of a "three-cornered amalgamation". The Transaction was effected pursuant to an amalgamation agreement dated October 4, 2017, as amended November 16, 2017, December 15, 2017, and December 21, 2017, between Ironhorse and PTI's wholly-owned subsidiary, 2597905 Ontario Inc., and PTI. Pursuant to the Transaction: (i) all of the issued and outstanding common shares in the capital of the Company were consolidated on the basis of a 6.9 pre-consolidation shares for each one post-consolidation share; (ii) the Company changed its name from "Ironhorse Oil & Gas Inc." to "Pond Technologies Holdings Inc."; (iii) all of the issued and outstanding common shares in the capital of PTI were exchanged on a one for one basis for 15,373,117 common shares of the Company; (iv) all of the outstanding stock options and warrants of PTI were cancelled and exchanged for equivalent stock options and warrants of the Company; and (v) 2597905 Ontario Inc. and PTI amalgamated and became a wholly-owned subsidiary of the Company .

Concurrent with the completion of the Transaction, PTI completed a brokered equity financing by issuing 2,641,873 subscription receipts ("Subscription Receipts") at a price of $2.40 per Subscription Receipt, for aggregate gross proceeds of $6,341. As a result of the satisfaction of the conditions to closing the Transaction, the escrow release conditions in respect of the Subscription Receipts were satisfied and the net financing proceeds were released to PTI and each Subscription Receipt was automatically exchanged for one common share of PTI and one common share purchase warrant of PTI, with each such warrant entitling the holder thereof to purchase one common share of PTI at a purchase price of

## 2. BUSINESS COMBINATION TRANSACTIONS (continued)

*Ironhorse and Pond Technologies Inc. (continued)*

$3.00 and expiring 24 months from the date of issuance. In connection with the completion of the Transaction, such shares and warrants were subsequently cancelled and exchanged for equivalent common shares and warrants of the Company. As part of the commission payable to the agents under the financing, the agents received 194,681 compensation warrants, with each such warrant entitling the holder to purchase, in accordance with its terms, one common share and one warrant of the Company at a price of $2.40 until January 30, 2020.

The Transaction was accounted for as a reverse take-over business combination transaction as the shareholders of PTI obtained a majority controlling interest of the Company, with the former shareholders of Ironhorse Oil & Gas Inc. retaining a non-controlling interest of the Company.

The purchase price has been allocated to the underlying assets and liabilities assumed, based upon their estimated fair values at the date of the Transaction. The fair value of the operating oil and gas property has been determined based on a report prepared by an Independent Qualified Reserves Evaluator in accordance with the standards set out in the Canadian Oil and Gas Evaluation Handbook, based on proved and probable reserves, estimated forecast prices and costs and calculated using a discount rate of 10%. The fair value of the consideration paid has been determined using the value of the common shares retained by the former shareholders of Ironhorse on January 30, 2018.

The following sets forth the allocation of the purchase price to assets acquired and liabilities assumed based on estimates of fair value.

| | | |
|---|---|---|
| **Consideration paid:** | | |
| Fair value of the 4,041,313 post-consolidated shares of the Company on January 30, 2018 | **$** | **6,224** |
| **Allocation of purchase price:** | | |
| Cash and cash equivalents | $ | 2,130 |
| Receivables | | 233 |
| Prepaid expenses and other assets | | 145 |
| Property plant and equipment | | 4,132 |
| Accounts payable and accrued liabilities | | (325) |
| Decommissioning laibility | | (91) |
| | **$** | **6,224** |

If the Transaction had taken place on January 1, 2018, it is estimated that the assets acquired would have contributed incremental revenues and net loss before taxes of $288 and $100 respectively, for the year ended December 31, 2018.

*Acquisition of Regenurex Health Corporation*

On January 30, 2019, the Company closed its acquisition of Regenurex Health Corporation ("Regenurex"). The acquisition was effected by way of a three-cornered amalgamation, under the provisions of the *Business Corporations Act* (British Columbia), pursuant to an Amalgamation Agreement. At closing, Regenurex and Pond Naturals Inc. amalgamated, with the resulting entity continuing to conduct Regenurex' s operations under the name "Pond Naturals Inc."

As consideration for their Regenurex shares, Regenurex shareholders will receive up to 6,250,000 Pond Technologies Holdings Inc. shares. The below summarizes the manner in which such Pond Shares shall be issued:

## 2. BUSINESS COMBINATION TRANSACTIONS (continued)

*Acquisition of Regenurex Health Corporation (continued)*

- Upon amalgamation, former holders of the Class A preferred shares of Regenurex received 3,539,198 non-voting senior preferred shares of Pond Naturals Inc. The senior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 2,211,998 Pond shares.
- Upon amalgamation, former holders of the common shares of Regenurex received 18,219,200 junior preferred shares of Pond Naturals Inc. The junior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 4,038,002 Pond shares (subject to a downward adjustment in the event any undisclosed liabilities of Regenurex over $50 are discovered within six months of closing).

In connection with closing of the Regenurex transaction, all of the outstanding stock options and warrants of Regenurex were cancelled or exchanged for Regenurex common shares (and then subsequently exchanged for junior preferred shares of Pond Naturals Inc. pursuant to the amalgamation). In addition, at closing the Company capitalized Pond Naturals Inc., by way of equity subscription, with $275.

The following sets forth the allocation of the purchase price to assets acquired and liabilities assumed based on estimates of fair value.

| | | |
|---|---|---|
| **Consideration paid:** | | |
| Fair value of the 6,250,000 shares of the Company on January 30, 2019 | **$** | **4,687** |
| Allocation of purchase price: | | |
| Cash and cash equivalents | $ | 61 |
| Receivables | | 108 |
| Inventory | | 143 |
| Right of use asset | | 122 |
| Property plant and equipment | | 1,030 |
| Accounts payable and accrued liabilities | | (501) |
| Lease liability | | (122) |
| Loans payable | | (531) |
| Goodwill | | 4,375 |
| | **$** | **4,687** |

The final purchase price allocation is expected to be completed as soon as management has gathered all significant information available and necessary to finalize the allocation.

The Company's share consideration for the acquisition was $4,687 of which $4,375 of the acquisition price was attributed to goodwill. Goodwill is assessed for impairment for each reporting period.

## 3. INTANGIBLES

| | Patent Filing Costs and Acquired Intellectual Property | Distribution Rights | Total |
|---|---|---|---|
| *Cost* | | | |
| Balance, January 1, 2018 | $ 2,726 | $ - | $ 2,726 |
| Additions | - | - | - |
| Balance, March 31, 2018 | 2,726 | - | 2,726 |
| Additions | 8 | 640 | 648 |
| Balance, December 31, 2018 | 2,734 | 640 | 3,374 |
| Additions | 2 | | 2 |
| Balance, March 31, 2019 | 2,736 | 640 | 3,376 |
| | | | |
| *Accumulated amortization* | | | |
| Balance, January 1, 2018 | 891 | - | 891 |
| Additions | 34 | - | 34 |
| Balance, March 31, 2018 | 925 | - | 925 |
| Additions | 102 | 5 | 108 |
| Balance, December 31, 2018 | 1,027 | 5 | 1,033 |
| Additions | 33 | 16 | 49 |
| Balance, March 31, 2019 | 1,060 | 5 | 1,082 |
| | | | |
| *Net carrying amount* | | | |
| Balance, January 1, 2018 | 1,835 | - | 1,835 |
| Balance, March 31, 2018 | 1,801 | - | 1,801 |
| Balance, December 31, 2018 | 1,707 | 635 | 2,342 |
| **Balance, March 31, 2019** | **$ 1,676** | **$ 635** | **$ 2,294** |

The majority of the Company’s patents are process patents. During 2011 the Company acquired through assignment from St. Marys Cement Inc. (Canada) all of the developing intellectual property and knowledge arising from the building and operating the first pilot plant facility at St Marys site for $1,738 in share consideration.

On November 30, 2018 the Company acquired the exclusive Canadian distribution and sale rights for certain products of RFI, LLC. The Company paid $320 cash and issued 516,128 common shares at a common share price of $0.62 for a total share consideration of $320 as the fair value of the asset acquired could not be reliably estimated. The exclusive distribution rights have an initial term of 5 years with an exclusive right to renew for a further 5 years, provided certain sales targets are met. The Company is amortizing the total $640 consideration paid over 10 years.

## 4. CAPITAL ASSETS

| | Project equipment and leasehold improvements | Furniture fixtures and equipment | Computer hardware and software | Oil & natural gas property plant and equipment | Total |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| Balance, January 1,2018 | $ 2,378 | $ 112 | $ 105 | $ - | $ 2,595 |
| Additions | 83 | 1 | 1 | 4,132 | 4,217 |
| Disposals | - | - | - | - | - |
| Change in deommissioning liability | | | | 3 | 3 |
| Balance, March 31, 2018 | 2,461 | 113 | 106 | 4,135 | 6,815 |
| Additions | 21 | 2 | 7 | - | 30 |
| Disposals | (698) | - | (5) | - | (703) |
| Change in deommissioning liability | - | - | - | - | - |
| Balance, December 31, 2018 | 1,784 | 115 | 108 | 4,135 | 6,142 |
| Additions | 1,266 | 2 | 7 | - | 1,275 |
| Disposals | (1) | - | (2) | - | (3) |
| Change in decommissioning liability (N | - | - | - | - | - |
| **Balance, March 31, 2019** | **3,049** | **117** | **113** | **4,135** | **7,414** |
| | | | | | |
| *Accumulated amortization* | | | | | |
| Balance, January 1,2018 | 1,492 | 48 | 67 | - | 1,607 |
| Amortization | 50 | 3 | 3 | 116 | 171 |
| Balance, March 31, 2018 | 1,542 | 50 | 70 | 116 | 1,778 |
| Amortization and depletion | 136 | 8 | 10 | 405 | 559 |
| Disposals | (446) | - | (4) | - | (450) |
| Balance, December 31, 2018 | 1,232 | 58 | 76 | 520 | 1,885 |
| Amortization and depletion | 206 | 6 | 5 | (107) | 111 |
| Disposals | - | - | (1) | - | (1) |
| **Balance, March 31, 2019** | **1,438** | **64** | **80** | **413** | **1,995** |
| | | | | | |
| *Net carrying amount* | | | | | |
| Balance, January 1, 2018 | 886 | 64 | 38 | - | 988 |
| Balance, March 31, 2018 | 920 | 62 | 36 | 4,020 | 5,037 |
| Balance, December 31, 2018 | 920 | 62 | 36 | 4,020 | 5,037 |
| **Balance, March 31, 2019** | **$ 1,611** | **$ 54** | **$ 33** | **$ 3,722** | **$ 5,419** |

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

| | **Mar 31, 2019** | **Dec 31,** 2018 |
|---|---|---|
| Accounts payable | **$ 1,045** | $ 655 |
| Interest payable | **259** | 225 |
| Payroll and other accruals | **393** | 201 |
| | **$ 1,697** | $ 1,081 |

## 6. LOANS PAYABLE

| | CW(i) | SMC (ii) | FedDev (iii) | Regenurex (iv) | Total |
|---|---|---|---|---|---|
| Balance, January 1,2018 | $ 4,500 | $ 300 | $ 413 | $ - | $ 5,213 |
| Advances | - | - | - | - | - |
| Conversion to shares | - | - | - | - | - |
| Accretion | - | - | 60 | - | 60 |
| Repayments | (1,000) | (300) | (105) | - | (1,405) |
| Balance, December 31,2018 | 3,500 | - | 368 | - | 3,868 |
| Regenurex loans re acquistion | - | - | - | 531 | 531 |
| Accretion | - | - | 4 | - | 4 |
| Repayments | - | - | (48) | (256) | (304) |
| **Balance, March 31, 2019** | **3,500** | **-** | **324** | **275** | **4,099** |
| | | | | | **-** |
| Less: Current portion of loans payable | **3,500** | **-** | **198** | **275** | **3,973** |
| Long-term portion of loans payable | **$ -** | **$ -** | **$ 126** | **$ -** | **126** |

*(i) Crystal Wealth Management System Ltd. ("CW")*

During 2015, the Company issued a promissory note to CW in the amount of $350 bearing interest at 12% per annum. On February 19, 2016, the Company entered into a secured loan agreement with CW with a maximum credit amounting to $4,500. The loan agreement incorporated the amount advanced under the promissory note and the promissory note was terminated and superseded by the loan agreement.

The loan bears interest at the rate of 12% per annum, has no regularly scheduled repayment terms with a maturity date of the earlier of February 19, 2018 or the completion of a financing transaction resulting in a capital injection in excess of $4,500. The loan is secured by a general security agreement with a first charge on the Company's assets and a specific assignment of rights in all patents during the year.

During 2016, CW amended the credit facility agreement and the Company was advanced an additional $160. CW also issued amendments to defer interest payments, originally due quarterly, to March 31, 2017. The advance of $160 was subsequently settled by the Company through a non-brokered private equity placement in 2017.

On August 11, 2017, the Company signed an amendment to its loan agreement with CW. The amended terms include a loan maturity extension to June 30, 2019, reduction of quarterly interest payable to 8%, deferral of quarterly interest payable of 4%, a ("First Interest Payment") due of $581 payable on November 30, 2017 and a principal repayment of $1,000 on December 31, 2017. The amendment also requires the Company to make principal loan repayments if it raises in excess of $10,000 in financing during the term of the loan. In that event, the amount of the principal loan repayment will be 20% of the proceeds in excess of $10,000.

On November 16, 2017, the Company signed a second amendment to its loan agreement with CW. The amended terms include an extension of the repayment to the First Interest Payment to December 21, 2017 and an extension fee of $10.

**6. LOANS PAYABLE** (continued)

*(i) Crystal Wealth Management System Ltd. (continued)*

On December 19, 2017, the Company signed a third amendment to its loan agreement with CW. The amended terms include an extension of the principal repayment of $1,000 and the First Interest Payment to January 31, 2018 and an extension fee of $10 payable in cash upon the execution of the loan amendment.

On December 29, 2017, the Company made an early payment of the First Interest Payment of $581 and the second interest payment of $31.

On January 30, 2018, the Company paid $1,000 to CW to reduce the principal balance from $4,500 to $3,500.

*(ii) St. Marys Cement Inc. (Canada) ("SMC")*

On May 29, 2015, the Company entered into a $300 demand loan with SMC. The loan bears interest at the rate of 9.5% per annum and has no regularly scheduled repayment terms. Interest expense of $29 (2015 - $12) was recorded on this loan. On February 19, 2016 and in connection with the loan agreement with CW, the SMC loan became postponed and subordinated to the loan payable to CW and the maturity date was established at the earlier of February 19, 2018 or the completion of a financing transaction resulting in a capital injection in excess of $4,500. On August 30, 2016, the Company entered into a $50 promissory note with SMC with an interest rate of 9.5%. On January 16, 2017, the Company issued 25,000 units to SMC as settlement of the $50 promissory note through its non-brokered private placement.

On March 2, 2018, the Company paid SMC $300 principal and $83 interest to settle the outstanding demand loan with SMC in full and discharge SMC's security interest in the Company's assets.

(iii) *Federal Economic Development Agency ("FedDev")*

The Company has a loan agreement with the FedDev and has received advances disbursed at a monthly rate of 33.33% of eligible costs as defined in the agreement, subject to achievement of certain milestones. Under the terms of the loan agreement, the loan bears no interest and is repayable in 60 equal monthly installments of $14 beginning on January 1, 2015.

The FedDev loan was fair valued at inception and interest accretion for the imputed interest rate is treated as a finance expense each year.

On December 29, 2016, the monthly instalments were reduced to $3 until January 1, 2018 after which the payments were increased to $9 for year ended 2018 and increased to $17 thereafter for the remaining term of the loan.

(iv) *Regenurex*

As a result of the acquisition of Regenurex the Company acquired loans with a balance of $275 and interest rates of 11%. The loans have maturity dates in 2019.

### 7. LEASE OBLIGATIONS AND RIGHT-OF-USE ASSETS

It is the Company's policy to rent certain items of office equipment and premises under operating lease agreements.

Effective January 1, 2019 the Company adopted IFRS 16, *Leases,* which requires lessees to recognize right-of-use assets and lease liabilities for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of loss and comprehensive loss. Short-term leases, which are defined as those that have a lease term of 12 months or less; and leases of low-value assets are exempt.

The Company's leases are for office space. Certain of the leases contain renewal options. The Company has included renewal options on the measurement of lease obligations when it is reasonably certain that the Company will exercise the renewal option.

| | | |
|---|---|---|
| Lease obilgations, January 1, 2019 | $ | - |
| Additions | | 122 |
| Interest on lease obligations | | 1 |
| Lease payments | | (9) |
| **Lease obligations, March 31, 2019** | **$** | **114** |
| | | |
| Current | | 36 |
| Non-current | | 78 |
| **Lease obligations, March 31, 2019** | **$** | **114** |

The following table presents the associated right-of-use assets for the Company:

| | | |
|---|---|---|
| Balance, January 1, 2019 | $ | - |
| Additions | | 122 |
| Amortization | | (8) |
| **Right-of-use asset, March 31, 2019** | **$** | **114** |

### 8. DECOMMISSIONING LIABILITIES

| | | **Mar 31, 2019** | | Dec 31, 2018 |
|---|---|---|---|---|
| **Balance, beginning of year** | **$** | 96 | $ | - |
| Assumed through business combination (Note 2) | | **-** | | 91 |
| Change in estimates and discount rate | | **-** | | 3 |
| Accretion expense | | 4 | | 2 |
| Balance | **$** | 100 | $ | 96 |

The Company's decommissioning liabilities result from the net ownership interests in petroleum and natural gas assets including a well site, gathering systems and production equipment. The total undiscounted amount to settle the Company's decommissioning liabilities is estimated at $118. The expected timing of the decommissioning expenditures extends to 2023. A risk-free rate of 1.86% - 2.18% and an inflation rate of 2% were used to calculate the present value of the decommissioning liabilities.

The risk-free rate used in the calculation of the net present value can have a significant impact on the carrying value of decommissioning liabilities. A 1% increase in the risk-free rate would decrease the decommissioning liability by an immaterial amount.

## 9. SHARE CAPITAL

*Authorized*

The Company is authorized to issue an unlimited number of common shares.

| | Number of shares | | Amount |
|---|---|---|---|
| Balance, as at January 1, 2018 | 12,731 | $ | 13,678 |
| Shares issued business combination (Note 2) | 4,041 | | 6,224 |
| Shares, warrants and Agent Warrants issued | 2,642 | | 4,068 |
| concurrent financing (Note 9) | - | | - |
| Shares issued to purchase distribution rights (Note 9) | 516 | | 320 |
| Share issuance costs | - | | (690) |
| Shares issued on conversion of Agent Warrants | 2 | | 6 |
| Expired warrants and Agent Warrants | - | | 70 |
| Balance, as at December 31, 2018 | 19,933 | | 23,676 |
| Acquisition of Regenurex Health Corporation (Note 2) | - | | 4,687 |
| **Balance, as at March 31, 2019** | **19,933** | **$** | **28,363** |

*Brokered private placement*

On January 30, 2018, the PTI completed the business combination transaction with Pond as set out in Note 2.

For the brokered private placement, the Company adopted a residual value method with respect to measurement of shares and warrants issued as private placement units. The Agent Warrants were measured at fair value amounting to $186 (2017: $302).

The total consideration was allocated between common shares and warrants with the warrants being measured first, at fair value amounting to $2,277 (2017 - $166), and the residual being applied to common shares.

On August 2, 2018 the Company issued 2,406 shares and 2,406 warrants for a total consideration of $6 upon the exercise of 2,406 Agent Warrants at $2.40.

*Purchase of RFI LLC Canadian distribution rights*

On November 30, 2018 the Company issued 516,128 common shares at a common share price of $0.62 as partial consideration for the purchase by the Company for the exclusive Canadian distribution rights to the RFI LLC products for a total share consideration of $320 as set out in Note 3.

## 9. **SHARE CAPITAL** (continued)

*Acquisition of Regenurex Health Corporation*

On January 30, 2019, the Company completed the acquisition of Regenurex as set out in Note 2.

As consideration for the Regenurex shares, Regenurex shareholders will receive up to 6,250,000 Pond Technologies Holdings Inc. shares with such shares valued by the parties, at the time of entering into the Amalgamation Agreement, at $0.80 per share, or $5,000 in the aggregate. The below summarizes the manner in which such Pond Shares shall be issued:

- Upon amalgamation, former holders of the Class A preferred shares of Regenurex received 3,539,198 non-voting senior preferred shares of Pond Naturals Inc. The senior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 2,211,998 Pond shares.
- Upon amalgamation, former holders of the common shares of Regenurex received 18,219,200 junior preferred shares of Pond Naturals Inc. The junior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 4,038,002 Pond shares (subject to a downward adjustment in the event any undisclosed liabilities of Regenurex over $50 are discovered within six months of closing).

*Stock option plan*

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance.

| **Stock Options** | **Number of options oustanding** | | **Weighted average exercise price** |
|---|---|---|---|
| Balance, as at January 1, 2017 | 857,500 | $ | 3.08 |
| Granted during period | 240,000 | | 2.00 |
| Forfeited during the period | (12,500) | | 2.00 |
| Balance, as at December 31, 2017 | 1,085,000 | | 2.00 |
| Granted during period | 537,500 | | 2.00 |
| **Balance, as at March 31, 2019 and December 31, 2018** | **1,622,500** | **$** | **2.00** |

During the three months ended March 31, 2019, the Company granted $Nil (2018: $Nil) stock options.

As at March 31, 2019, 1,622,500 (2018: 1,085,000) stock options were exercisable and the weighted average remaining contractual lives of the stock options was 2.9 years (2018: 3.5 years).

*Contributed surplus*

Contributed surplus is comprised of the following:

| | | **Mar 31, 2019** | | Dec 31, 2018 |
|---|---|---|---|---|
| Stock options and other | **$** | **1,813** | $ | 1,767 |
| Warrants and Agent Warrants | | **2,139** | | 2,827 |
| | **$** | **3,953** | $ | 4,593 |

## 9. SHARE CAPITAL (continued)

*Warrants*

The Company has issued warrants and Agent Warrants as part of the brokered and non-brokered placements, conversion of loans and debt settlements.

| | Number of | | | $ 000's |
|---|---|---|---|---|
| | Warrants | Agent Warrants | Total | Amount |
| Balance, as at January 1,2017 | 702,340 | 26,800 | 729,140 | $ 118 |
| Warrants issued on subscription of units | 1,690,000 | 135,000 | 1,825,000 | 461 |
| Conversion of loans payable | 25,000 | - | 25,000 | 4 |
| Warrants issued for settlement of debt | 20,000 | - | 20,000 | 3 |
| Balance, as at December 31,2017 | 2,437,340 | 161,800 | 2,599,140 | 586 |
| Warrants issued on subscription of units | 2,641,873 | 194,681 | 2,836,554 | 2,463 |
| Warrant issuance costs | - | - | - | (153) |
| Exercise of Agent Warrants | 2,406 | (2,406) | - | - |
| Expired warrants and Agent warrants | (392,340) | (26,800) | (419,140) | (70) |
| Balance, as at December 31, 2018 | 4,689,279 | 327,275 | 5,016,554 | 2,826 |
| Extension of warrants | - | - | - | (687) |
| **Balance, as at March 31, 2019** | 4,689,279 | 327,275 | 5,016,554 | $ 2,139 |

During the quarter ended March 31, 2019 the Company issued Nil (2018: 2,641,873) warrants Nil (2018: 194,681) Agent Warrants with an average exercise price of Nil (2018: $2.50 and $3.00, respectively and an average estimated life of 1.8 years).

On January 4, 2019 the Company received approval from the TSX Venture Exchange to extend the expiry dates of five tranches of warrants totaling 4,669,279 warrants. The expiry date of all five tranches of warrants were extended to January 30, 2021. All other terms and conditions of each tranche of the warrants remain unchanged. The extension resulted in a charge of $687 from contributed surplus to the accumulated deficit.

For the warrants and Agent Warrants issued in 2018 in the non-brokered private placement and the brokered private placement, the fair value has been determined as $2,463 using the Black-Scholes option pricing model and the following weighted average assumptions:

| | | **2018** | | 2017 |
|---|---|---|---|---|
| Risk-free interest rate | | **1.25%** | | 1.25% |
| Estimated life of warrants and Agent Warrants (years) | | **2.00** | | 2.00 |
| Expected volatility | | **81%** | | 30% |
| Price of shares at date of issuance | **$** | **2.33** | $ | 1.84 |
| Exercise price of warrants | **$** | **3.00** | $ | 2.50 |
| Dividend yield | | **0%** | | 0% |

*Deferred Share Units*

The directors of the Board elect to receive a portion of their compensation in the form of a deferred share unit ("DSUs") in any year, based on the terms and conditions of the Deferred Share Unit Plan which was established on October 11, 2018. A deferred share unit account ("DSU Account") is established for each participant and is credited with notional grants of DSU's to which each participant is entitled.

The number of DSU's granted to a participant's DSU Account is determined quarterly, based on the monetary amount of the participant's annual fee compensation and the closing price of the Company's common shares on the TSX Venture Exchange on the date of grant. At such time as a director ceases to be a director, the Company's the Nomination and Compensation Committee has chosen to settle the DSU Account in Company common shares from treasury.

## 9. SHARE CAPITAL (continued)

*Deferred Share Units (continued)*

As at March 31, 2019 there were 198,842 DSU's outstanding for which the Company recognized a $174 charge to contributed surplus (2018- $Nil).

## 10. REVENUE, CONTRACT RECEIVABLE AND DEFERRED REVENUE

Revenue comprises sales and services to external customers (excluding HST and other sales taxes). Revenue from the transfer of goods or services to customers is recognized in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

The majority of the Company's technology services revenue was generated from a contract in which goods and services are typically provided over time. The Company's revenue of $668 for the three months ended March 31, 2019 (2018: $Nil), was derived from a single performance contractual obligation to construct a $3,600 algae production facility. Revenue for this contract is recognized on a percentage of completion basis. Deferred revenue is the difference between actual amounts invoiced and the amount of revenue recognized and is recorded in the consolidated statements of financial position.

For certain contracts, revenue is recognized when the terms of the commitment are completed and accepted by the customer. Payment is normally thirty days from the date of acceptance by the customer.

*Stelco Algae Holdings*

During September 2018 the Company entered into a 'notice to proceed' agreement with Stelco Algae Holdings Inc. ("Stelco"), a special purpose company owned by Stelco Holdings Inc. to develop an Algae Carbon Abatement Facility ("the Project") at Stelco's Lake Erie Works ("the Project Site"). The Project includes the following; i) the manufacture and installation of a 45,000 litre bioreactor system at the Project Site; and ii) subject to verification of Project viability and the receipt of applicable regulatory and third party approvals, the installation of a commercial seed system scale bioreactor at the Project Site.

Prior to the "notice to proceed" arrangement, in November 2017, Stelco, the Company and the Ontario Centres for Excellence Inc. ("OCE") entered into a Target GHG Industrial Demonstration Program Funding Agreement ("OCEFA") pursuant to which the OCE will fund up to 50% of eligible Project costs to a maximum of $5,000.

Eligible expenses which are to be reimbursed through OCEFA will be financed by the Company through a new promissory note arrangement with Stelco. The promissory note is a non-interest bearing revolving loan facility with a maximum borrowing capacity of $2.5 million and a maturity date of September 25, 2019. The promissory note bears interest at a rate of 15% per annum if cash reimbursements of eligible expenses received by Stelco are not repaid to the Company within 10 business days of receipt from OCE.

During the three months ended March 31, 2019 the Company made advances under the terms of the promissory note of $661 (2018: $Nil) and received repayments of $Nil (2018: $Nil) resulting in a contract receivable balance of $1,661 at March 31, 2019. The contract receivable matures in less than one year and therefore, the Company adopted the practical expedient in IFRS 15 and did not discount the contract receivable.

## 10 REVENUE, CONTRACT RECEIVABLE AND DEFERRED REVENUE (continued)

*Deferred Revenue*

A reconciliation of the beginning and ending carrying amounts of deferred revenue is as follows:

| | | Mar 31, 2019 | | Dec 31, 2018 |
|---|---|---|---|---|
| **Balance, beginning of year** | **$** | 533 | $ | 18 |
| Revenue earned in the period | | (806) | | (1,433) |
| Payments received in the period | | 700 | | 1,948 |
| | **$** | **427** | $ | 533 |

## 11. BREAKDOWN OF EXPENSES

The details for operating and general and administrative expenses for the three months ended March 31, are as follows:

| Three months ended March 31, | | 2019 | | 2018 |
|---|---|---|---|---|
| | | | | $ |
| *Operating expenses* | | | | |
| Salaries and benefits | **$** | **419** | $ | 390 |
| Rent | | **21** | | 22 |
| Travel and transportation | | **54** | | 27 |
| Project supplies and maintenance | | **88** | | 9 |
| Cost recoveries | | **-** | | (55) |
| | **$** | **582** | $ | 393 |
| *General and administrative expenses* | | | | |
| Legal | **$** | **35** | $ | 15 |
| Computer | | **20** | | 18 |
| Consultants, advisors and other | | **480** | | 271 |
| | **$** | **535** | $ | 304 |

During the three months ended March 31, 2018 the cost recoveries represent the reimbursement of salaries and benefits of employees that have been seconded to the National Research Council.

## 12. FINANCE EXPENSES

| Three months ended March 31, | | 2019 | | 2018 |
|---|---|---|---|---|
| Interest expense on loans - CW and Regenurex | **$** | **110** | $ | 141 |
| Interest accretion, net of imputed interest adjustment | | **5** | | 14 |
| Interest expense - insurance loan | | **-** | | 1 |
| Bank charges | | **3** | | 2 |
| | **$** | **118** | $ | 158 |

## 13. RELATED PARTY TRANSACTIONS

The Company enters into related party transactions with management and arrangements with its shareholders. Details of these transactions for the three months ended March 31 and the March 31 balances are as follows:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| *Transactions, during the period* | | | | |
| Loan interest to shareholders | **$** | **72** | $ | 78 |
| Pembina property management fee to a company with a common director | | **23** | | 15 |
| *Balances at end of period* | | | | |
| Loan payable to CW (shareholders) | **$** | **3,500** | $ | 3,500 |

### Key management compensation

Key management include key effective management and Board of Directors. In addition to their salaries, key executive officers participate in short-term bonus plans based on the financial performance of the Company and other non-financial factors, set annually. The Company provides a benefit plan and other allowances to executive officers. In addition, key executive officers are granted stock options at the discretion of the Board of Directors.

Key management compensation for the three months ended March 31, is comprised of:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Stock-based compensation for management and directors | **$** | **46** | $ | 29 |
| Director and committee fees paid in cash | | **8** | | 9 |
| Salaries and employee benefits | **$** | **167** | $ | 142 |

## 14. SEGMENTED INFORMATION

The Company considered the basis on which it is organized including service and product offerings and geographic areas and segmented reporting is based on identifiable reporting segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and are evaluated regularly by the chief operating segment decision maker when allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company and the Company's operating segments and are based on its two primary offerings and one regional geographic area.

The two reportable segments for the three months ended March 31, 2019, are Technology Services (including the production of microalgae biomass, consulting, engineering services and the construction of biomass production facilities) and Oil and Natural Gas production.

### 14. SEGMENTED INFORMATION (continued)

#### Reportable Segments

| **Consolidated Balance Sheet**<br>**As at March 31, 2019** | **Nutraceutical Products** | **Technology Services** | **Oil and Natural Gas** | **Other** | **Total** |
|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | |
| Intangibles | $ 619 | $ 1,675 | $ - | $ - | $ 2,294 |
| Goodwill | 4,375 | - | - | - | 4,375 |
| Right-of-use asset | 114 | - | - | - | 114 |
| Capital assets | $ 1,027 | $ 670 | $ 3,722 | $ - | $ 5,419 |

| **Consolidated Statement Of Loss**<br>**For The Three Months Ended March 31, 2019** | **Nutraceutical Products** | **Technology Services** | **Oil and Natural Gas** | **Other** | **Total** |
|---|---|---|---|---|---|
| Revenue technology | $ - | $ 668 | $ - | $ - | $ 668 |
| Nutraceutical products | 879 | - | - | - | 879 |
| Revenue oil and conventional natural gas | - | - | 442 | - | 442 |
| | 879 | 668 | 442 | - | 1,989 |
| Direct costs and expenses technology | - | (550) | - | - | (550) |
| Direct costs and expenses nutraceutical products | (748) | - | - | - | (748) |
| Oil and conventional natural gas royalties | - | - | (67) | - | (67) |
| Oil and conventional natural gas operating costs | - | - | (163) | - | (163) |
| Expenses which includes amortization & depletion | (210) | (946) | (126) | (123) | (1,405) |
| | | | | - | |
| Operating profit (loss) | (79) | (828) | 86 | (123) | (944) |
| Other income / (loss): | | | | | - |
| Interest income | - | - | - | 7 | 7 |
| Finance expenses | - | - | - | (118) | (118) |
| Net loss from operations | $ (79) | $ (828) | $ 86 | $ (234) | $ (1,055) |

### 15. COMMITMENTS AND CONTINGENCIES

On January 30, 2018, concurrent with the completion of the Transaction described in Note 2, the Company and Grizzly Resources Limited ("GRL") entered into an Assignment Agreement, whereby the Company transferred all of its right, title and interest in and to and all burdens, obligations and liabilities in connection with a litigation matter, to GRL. GRL agreed to indemnify the Company from any potential liabilities that may arise from such litigation.

The Company is contingently liable with respect to litigation, claims and environmental matters that may arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the outcome of these matters cannot be predicted with certainty, in the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Company. Any expected settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

## 15. COMMITMENTS AND CONTINGENCIES (continued)

The Company may have various other contractual obligations from time to time in the normal course of operations. Generally, these types of contracts can be cancelled with 30 days' notice. The Company has entered a premise lease with the following total minimum annual payment:

| | | Amount |
|---|---|---|
| 2019 | $ | 33 |
| | $ | 33 |

## 16. SUBSQUENT EVENTS

On May 14, 2019, the Company signed an amendment to its $3,500 loan agreement with the court-appointed receiver and manager of Crystal Wealth Management System Ltd. (the "Receiver"). The key amendments are 1) The maturity date for the loan has been extended from June 30, 2019 to June 30, 2021; 2) A principal repayment of at least $600 is to be made on or before June 30, 2019; 3) An Early Redemption Incentive of a $500 reduction on the outstanding principal and interest, provided the loan is repaid in full by December 31, 2019; and 4) No change to the existing interest terms.

In addition, the Company will be required to make principal repayments to the Receiver amounting to 20% of any financings and proceeds from the sale of its Pembina oil and gas property which in total exceed $2,500. If the aggregate of the proceeds of any financing transactions and the sale of the Pembina asset are equal to or exceed $10,000, Pond will be required to repay the indebtedness in full including all principal, interest and other fees which may be outstanding at the time. If the total of such proceeds equal or exceed $10,000 before December 31 2019, then the Early Redemption Incentive will apply to the loan repayment.