



Condensed Interim Financial Statements (unaudited)

March 31, 2020

Notice of No Auditor Review of Interim Financial Statements

The accompanying interim financial statements of Kaisen Energy Corp. As at and for the three-month period ending March 31, 2020 have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors have not performed a review of these interim financial statements.

/s/ John Zahary
Managing Director

June 11, 2020

Interim Statements of Financial Position

(Unaudited, Canadian dollars)

	Note	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash		\$ 305,479	\$ 373,033
Accounts receivable	4	405,922	1,125,545
Prepaid expenses and deposits		82,765	136,593
		794,166	1,635,171
Property, plant, and equipment	5,6	16,274,429	28,404,521
		\$ 17,068,595	\$ 30,039,692
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 4,751,162	\$ 4,514,745
Risk management contracts	10	15,210	724,523
Term loan	8	1,850,000	1,850,000
		6,616,372	7,089,268
Decommissioning and other	13	11,442,679	11,874,113
		18,059,051	18,963,381
Shareholders' equity			
Share capital	14	53,189,854	53,189,854
Convertible debentures	9	6,517,100	6,517,100
Contributed surplus		8,626,519	8,484,979
Deficit		(69,323,929)	(57,115,622)
		(990,456)	11,076,311
		\$ 17,068,595	\$ 30,039,692

Going concern (note 2)

Subsequent events (note 18)

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Loss and Comprehensive Loss

(Unaudited, Canadian dollars)

		Three months ended	
	Note	2020	March 31, 2019
Revenue			
Petroleum and natural gas sales		\$ 1,498,991	\$ 3,372,746
Royalties		(188,345)	(516,688)
Revenue, net of royalties		1,310,646	2,856,058
Saskatchewan resource tax		(15,000)	(40,520)
Realized loss on risk management contracts	10	-	(483,379)
Unrealized gain (loss) on risk management contracts	10	709,313	(2,651,464)
Other income		7,988	7,845
		2,012,947	(311,460)
Expenses			
Operating		1,795,417	1,968,142
Transportation		178,000	193,528
General and administrative		303,373	257,603
Net finance	12	97,757	91,976
Share-based compensation	14	125,755	133,052
Depletion and depreciation	5	638,952	733,252
Impairment loss on property, plant, and equipment	6	11,082,000	-
		14,221,254	3,377,553
Net loss and comprehensive loss		\$ (12,208,307)	\$ (3,689,013)
Net loss per share			
Basic and diluted	15	\$ (0.27)	\$ (0.08)

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Cash Flows

(Unaudited, Canadian dollars)

		Three months ended	
	Note	2020	March 31, 2019
Cash provided by (used in) the following activities:			
Operating activities			
Net loss for the period		\$ (12,208,307)	\$ (3,689,013)
Items not affecting cash:			
Depletion and depreciation		638,952	733,252
Impairment loss on property plant and equipment		11,082,000	-
Accretion of decommissioning obligations	13	64,355	63,336
Share-based compensation	14	125,755	133,052
Unrealized (gain) loss on risk management contracts	10	(709,313)	2,651,464
Other		-	2
		(1,006,558)	(107,907)
Change in non-cash working capital	16	1,118,360	22,517
Cash from operating activities		111,802	(85,390)
Financing activities			
Net (payments) advances of bank loan		-	169,988
Lease payments		(9,140)	(22,630)
Issuance of convertible debentures, net of issue costs	9	-	200,000
Cash from financing activities		(9,140)	347,358
Investing activities			
Development of oil and gas properties		(70,862)	(282,953)
Change in non-cash working capital	16	(99,354)	20,657
Cash used in investing activities		(170,216)	(262,296)
Change in cash		(67,554)	(328)
Cash, beginning of the period		373,033	328
Cash, end of the period		\$ 305,479	\$ -
Supplementary disclosure			
Cash interest paid		\$ 33,239	\$ 27,244
Cash taxes paid		-	-

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Changes in Shareholders' Equity

(Unaudited, Canadian dollars)

	Note	Share capital	Convertible debentures	Contributed surplus	Deficit	Shareholders' equity
Balance as at January 1, 2019		\$ 53,189,854	\$ 5,317,100	\$ 7,766,507	\$ (49,507,792)	\$ 16,765,669
Net loss		-	-	-	(7,607,830)	(7,607,830)
Convertible debentures issued	9	-	1,200,000	-	-	1,200,000
Share-based compensation	14	-	-	718,472	-	718,472
Balance as at December 31, 2019		\$ 53,189,854	\$ 6,517,100	\$ 8,484,979	\$ (57,115,622)	\$ 11,076,311
Net loss		-	-	-	(12,208,307)	(12,208,307)
Share-based compensation	14	-	-	141,540	-	141,540
Balance as at March 31, 2020		\$ 53,189,854	\$ 6,517,100	\$ 8,626,519	\$ (69,323,929)	\$ (990,456)

See accompanying notes to the unaudited condensed interim financial statements.

Notes to the Interim Financial Statements (unaudited)

As at March 31, 2020 and for the three months ended March 30, 2020 and 2019

1. Reporting Entity

Kaisen Energy Corp. (the “Company” or “Kaisen”) is a Calgary-based energy company primarily focused on heavy oil development and production in Saskatchewan. The Company was incorporated in Canada on November 6, 2012. The Company’s principal place of business is 400, 522 – 11th Avenue S.W. Calgary, Alberta, Canada, T2R 0C8.

2. Basis of Presentation, Statement of Compliance and Assumption of Going Concern

These condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements were authorized for issue by the Board of Directors on June 11, 2020. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2019. Unless otherwise stated, amounts presented in these financial statements, including tabular amounts, are stated Canadian dollars. The functional currency of the Company is the Canadian dollar.

These financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 2 “Basis of presentation” of the Company’s audited consolidated financial statements for the year ended December 31, 2019. All accounting policies, methods of computation, and the use of estimates or judgements used in the preparation of these interim financial statements are consistent with those used the previous financial year.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a loss of \$12,208,307 during the three months ended March 31, 2020, and as of that date, the Company’s current liabilities exceeded its current assets by \$5,822,206. The sudden collapse in global oil prices in 2020, have lowered the Company’s current and projected cash flows. As at March 31, 2020 the Company still had access to \$926,000 in available financing from unissued convertible debentures. Management of the Company believes that the current level of financing is not sufficient to pay for expected cash expenditures over the next 12 months. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to secure adequate financing in the future or that such financing will be on terms acceptable to the Company. The recoverability of the underlying value of the Company’s assets is entirely dependent on the Company’s ability to obtain the necessary financing to complete the development of its assets and achieve future profitable production. As a result, there is a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

3. Recent Developments and Impacts to Use of Estimates, Judgements and Assumptions

In March 2020, the outbreak of the novel coronavirus and subsequent measures intended to limit the pandemic contributed to significant declines and abnormal volatility of global financial markets. The pandemic adversely affected global commercial activity and significantly reduced worldwide demand for crude oil. Crude oil prices were concurrently impacted by increased global supply due to disagreements over production restrictions between members of OPEC and Russia.

The scale and duration of these developments remain uncertain and the full extent of the impact on the Company’s operations and future financial performance is currently unknown. The coronavirus outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by Management in the preparation of its financial statements.

A full list of the significant estimates and judgements made by Management in the preparation of its financial statements are included in Note 5 “Use of Estimates, Judgement and Assumptions” of the annual financial statements. The outbreak and volatile market conditions have increased the complexity of estimates, judgements and assumptions used to prepare these financial statements, particularly related to the recoverability of asset carrying values. Changes to any of these estimates, judgements and assumptions could result in a material adjustment to the carrying values of assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis, and any revisions to accounting estimates are recognized in the period in which the estimates are revised.

4. Financial Assets and Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company’s credit exposure on accounts receivable at March 31, 2020 pertains to accrued revenue for March 2020 production volumes in addition to amounts receivable from joint operating partners. Kaisen typically sells its heavy oil production to four separate oil and natural gas marketing companies. All revenues recorded at March 31, 2020 were received in April 2020. For joint operating partners, Kaisen bills these partners typically 2 months after the month of activity with receipt 30 days thereafter.

The Company's carrying values of accounts receivable represent the Company's maximum credit exposure. The aging of accounts receivable is as follows:

	March 31, 2020	December 31, 2019
Not past due	\$ 312,327	\$ 1,022,859
Past due greater than 90 days	93,595	102,686
Accounts receivable	\$ 405,922	\$ 1,125,545

The Company has historically not experienced any collection issues with its oil and natural gas sales and therefore has not recorded an allowance for doubtful accounts as at March 31, 2020.

5. Property, Plant, and Equipment

	Oil and gas assets	Corporate assets	Total assets
Cost:			
Balance, January 1, 2019	\$ 81,426,986	\$ 197,780	\$ 81,624,766
Development additions	1,541,480	1,050	1,542,530
Decommissioning obligations change in estimate		(202,855)	-
Right-of-use assets (note 3)	-	46,586	46,586
Capitalized general and administrative costs	249,600	-	249,600
Capitalized share-based compensation	115,773	-	115,773
Balance, December 31, 2019	\$ 83,130,984	\$ 245,416	\$ 83,376,400
Development additions	27,532	1,330	28,862
Decommissioning obligations change in estimate	(495,787)	-	(495,787)
Capitalized general and administrative costs	42,000	-	42,000
Capitalized share-based compensation	15,785	-	15,785
Balance, March 31, 2020	\$ 82,720,514	\$ 246,746	\$ 82,967,260
Accumulated depletion and depreciation:			
Balance, January 1, 2019	\$ 48,892,092	\$ 132,542	\$ 49,024,634
Depletion and depreciation	2,978,864	57,381	3,036,245
Impairment	2,911,000	-	2,911,000
Balance, December 31, 2019	\$ 54,781,956	\$ 189,923	\$ 54,971,879
Depletion and depreciation	631,000	7,952	638,952
Impairment	11,082,000	-	11,082,000
Balance, March 31, 2020	\$ 66,494,956	\$ 197,875	\$ 66,692,831
Net book value:			
Balance, December 31, 2019	28,349,028	55,493	28,404,521
Balance, March 31, 2020	16,225,558	48,871	16,274,429

As at March 31, 2020, \$77,787,367 in future development costs associated with proved plus probable reserves and net salvage values of \$2,610,000 were included in the petroleum and natural gas asset cost bases for depletion calculation purposes (December 31, 2019 - \$77,814,900 and \$2,610,000, respectively). No other costs have been included or excluded from property plant and equipment in the determination of depletion. During the quarter ended March 31, 2020, \$42,000 and \$15,785 in general and administrative expenses and share-based compensation expenses, respectively, were capitalized to property, plant, and equipment (December 31, 2019 - \$249,600 and \$115,773).

6. Impairment loss on property, plant, and equipment

2020 Impairments

At March 31, 2020, the Company evaluated its property, plant, and equipment for indicators of any potential impairment or related impairment reversals. The assessment factored in reserves, change in commodity prices from year end, the health of the sector and the general economy, and near-term development plans. As a result of uncertainties regarding future strip pricing, impairment tests were conducted on all properties resulting in an impairment charge of \$11,082,000 recognized in the statement of income. The recoverable amount of the Company's CGU's as at March 31, 2020 was \$16.3 million (December 31, 2019 - \$28.4 million)

2019 Impairments

Based on the results of the Company's December 31, 2019 evaluation of potential impairment or related reversals, indicators were identified on all the Company's CGU's. An impairment test was conducted resulting in an impairment charge of \$2,911,000.

Property, plant, and equipment impairment assumptions

The recoverable amount was calculated as the fair value of assets less cost of disposal. The fair value was determined using a after-tax discount rate of 20% (December 31, 2019 – 19.2%) and forecasted cash flows. The forecasted cash flows are based on the total proved reserves and used by the Company's independent reserve engineers (considered level 3 inputs within the fair value hierarchy) as at December 31, 2019 and internally adjusted to reflect updated price assumptions as of March 31, 2020. The Company used a similar approach for its test as at December 31, 2019.

The following Sproule commodity price estimates from were used to determine the recoverable amount as at March 31, 2020:

Year	WTI Cushing Ok (US\$/bbl)	Western Canadian Select (C\$/bbl)	US\$ to C\$ Foreign exchange rate
2020 (Q2 – Q4)	25.00	12.86	0.70
2021	37.00	30.14	0.73
2022	48.00	45.33	0.75
2023	48.96	46.24	0.75
2024	49.94	47.16	0.75
2025	50.94	48.11	0.75
2026	51.96	49.07	0.75
2027	53.00	50.05	0.75
2028	54.06	51.05	0.75
2029	55.14	52.07	0.75
2030	56.24	53.12	0.75
Thereafter	+2% per year	+2% per year	0.75

7. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company's liquidity is dependent on the Company's expected business growth and changes in its business environment. The Company manages this risk by continuously monitoring forecast and actual cash flows from operating, financing, and investing activities and opportunities to extend or modify its existing debt facility or to issue additional equity. The Company will continue to manage its capital expenditures to reflect current financial resources in the interest of sustaining long-term viability. Estimated undiscounted cash outflows relating to financial liabilities as at March 31, 2020 were as follows:

	Undiscounted amount	Less than 1 year	1 - 3 years	4 – 5 years
Accounts payable and accrued liabilities	\$ 4,751,162	\$ 4,751,162	\$ -	\$ -
Risk management contracts	15,210	15,210	-	-
Term loan	1,850,000	1,850,000	-	-
Financial liabilities	\$ 6,616,372	\$ 6,616,372	\$ -	\$ -

8. Term Loan

On July 15, 2019, the Company completed an arrangement with its lender for a \$2,280,000 term loan, which discharged and replaced the \$2,500,000 revolving bank loan previously in place with the same lender. When entered, the term loan bore interest at a rate of prime plus 1.25% per annum, was payable in full on demand by the lender, and required the Company to make the monthly principal payments up until May 31, 2020, when the term loan was scheduled to be repaid in full. On December 11, 2019, the Company and its lender entered into an amending agreement whereby the scheduled borrowing base determination date was extended from November 30, 2019 to January 31, 2020, the interest rate was raised to prime plus 3.5% per annum, and it was agreed upon that the Company shall make principal payments of \$240,000 per month commencing February 29, 2020 until the term loan was repaid in full.

During the first quarter of 2020 the Company and its lender entered into a series of amending agreements with respect to its term loan, which deferred the borrowing base determination date and monthly \$240,000 principal repayments to April 30, 2020. As such no principal payments were made in the quarter. Subsequent to the quarter the Company and its lender entered into an additional amending agreement further deferring the borrowing base redetermination date and deferring monthly \$240,000 principal payments to June 30, 2020.

The term loan is classified as current on the statement of financial position and is principally secured by fixed and floating security interest over all present and after acquired assets of the Company. The term loan arrangement contains industry standard representation and warranties, positive and negative covenants and events of default, and does not contain financial covenants.

9. Convertible Debentures and Obligation Debentures

On May 28, 2018, the Company provided all shareholders and its Managing Director the opportunity to subscribe for an aggregate of \$7,503,000 in convertible debentures and executed an agreement for 5,426 committed convertible debentures (“Obligation Debentures”), as described in further detail in note 7(b). The Company did not issue any convertible debentures during the three months ended March 31, 2020. Since being introduced, the Company has issued a total of 6,577 convertible debentures.

(a) Convertible debentures

The key terms of the convertible debentures are as follows:

- issuable only in denominations of \$1,000 or multiples thereof
- mature on the occurrence of a liquidity event, with a qualifying liquidity event including, but not limited to:
 - (i) an amalgamation, arrangement, merger, or other similar transaction wherein all issued and outstanding common shares are sold for cash and/or securities, or which results in all of the Company's common shares being listed on a stock exchange
 - (ii) a sale of all or substantially all of the property and assets of the Company for consideration consisting of cash and/or securities and the subsequent distribution of all of such consideration to all common shareholders, on a pro rata basis;
 - (iii) the liquidation, dissolution or winding up of the Company;
 - (iv) a public offering; and
 - (v) any combination of the events or circumstances described in subsections (i), (ii), (iii) or (iv) above.
- the debentures bear interest at a fixed rate of 8.00% per annum compounded quarterly and payable in arrears on the occurrence of a liquidity event,
- upon the occurrence of a liquidity event, the Company shall:
 - (i) satisfy its obligation to pay all accrued and unpaid interest through a cash payment; and
 - (ii) at the election of the holder of each convertible debenture, repay all or any portion of the face value of the convertible debenture by cash payment and/or by issuing and delivering common shares at a deemed price of \$0.05 per common share;

The convertible debentures represent the Company’s obligation to deliver a variable number of its own equity instruments upon a liquidity event. Management has determined that the liquidity event is a contingent settlement provision that the Company has control over. As such, the convertible debentures have been classified as equity net of issue costs. If a liquidity event occurred on March 31, 2020 and the convertible debentures were converted to common shares, 131,540,000 additional shares of the Company would have been issued. Furthermore, had the Company issued the entire subscription of convertible debentures (\$7,503,000 in aggregate since inception) in the current quarter and converted them to common shares, a total of 150,060,000 additional shares of the Company would have been issued and Kaisen would have received an additional \$926,000 of cash. As at March 31, 2020, the total face value of the convertible debentures plus accrued undeclared interest was \$7,392,000.

(b) Obligation debentures

Concurrent with the initial convertible debenture issuance, on May 28, 2018 the Company entered into an agreement with the subscriber for 5,426 committed Obligation Debentures, which require the subscriber to subscribe for and purchase, and for the Company to issue and sell, the remaining \$5,426,000 in convertible debentures two years from the date of issuance or at the Company’s discretion. At March 31, 2020, 926 Obligation Debentures remain uncalled representing an additional \$926,000 in funding available to the Company.

10. Financial Derivatives and Market Risk Management

Management of cash flow variability is an integral component of the Company’s business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines to be used by Management. The risk exposure inherent in the movement of the price of crude oil and natural gas prices and fluctuations in foreign exchange rates are all proactively reviewed by the Company and may be managed through the use of derivative contracts as considered appropriate.

(a) Commodity price risk

The Company is exposed to commodity price movements as part of its operations. The Company maintains a risk management strategy to protect funds flow from operations from the volatility of commodity prices. The Company’s strategy focuses on the use of puts, costless collars, swaps or fixed price contracts to limit exposure to fluctuations in commodity prices. The Company had the following risk management contract in place as at March 31, 2020:

Type	Period	Volume	Price/unit ⁽¹⁾
WTI - Call option ⁽²⁾	January 1, 2020 – December 31, 2020	500 bbl/d	US\$60.00

(1) Based on the weighted average price/bbl for the duration of the contract

(2) The Call Option contract provides ATB with an option (at only their election) to exercise the contract terms (on a month to month basis) throughout the term of the contract.

As at March 31, 2020, the fair value associated with these risk management contracts was a liability of \$15,210 (December 31, 2019 – liability of \$724,523), of which the total amount is reported as a current liability reflecting contracts which will settle by December 31, 2020.

(b) Interest rate risk

The only liability on the Company's balance sheet exposed to fluctuations in interest rates is the term loan. Based upon the Company' term debt at March 31, 2020, an increase or decrease in net earnings for the current quarter for each 1% change in interest rates would amount to \$6,200 (2019 - \$7,500).

(c) Foreign currency risk

The Company does not sell or transact in any foreign currency except the Company's commodity prices are largely denominated in United States dollars. As a result, the prices that the Company receive are affected by fluctuations in the exchange rates between the US dollar and the Canadian dollar. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar compared to the US dollar will reduce the prices received by the Company for its crude oil and natural gas sales. The Company had no foreign exchange forward rate contracts in place as at or during the period ended March 31, 2020.

11. Capital Management

The Company's policy is to maintain a strong capital base to provide flexibility in the future development of the business and to maintain the confidence of investors and lenders. The Company periodically reviews certain quantitative measures of its capital structure to understand its position relative to industry peers but does not set certain limits or ranges with respect to these quantitative measures. The Company is not subject to any external restrictions on its capital structure. Management closely monitors debt leverage to ensure the Company maintains financial flexibility and balance sheet strength sufficient to manage unforeseen events and opportunities as they arise.

12. Net Finance Expenses

The following table summarizes net finance expenses recorded during the three months ended March 31, 2020 and 2019:

	Three months ended	
	2020	March 31, 2019
Interest expense on term and bank loans	\$ 33,239	\$ 28,668
Accretion of decommissioning obligations	64,355	63,336
Capital lease interest expense and other	163	1,396
Net finance expenses	\$ 97,757	\$ 91,976

13. Decommissioning and Other

The total future decommissioning obligations were estimated by Management based on the expected cost to reclaim and abandon its net ownership interest in well sites and facilities and the estimated timing of the costs to be incurred in future periods. Decommissioning obligations acquired as part of an acquisition are initially measured at fair value using a credit-adjusted risk-free rate. Management estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations at March 31, 2020 is \$13.5 million, which will be incurred over the next 10-15 years with the majority of costs incurred between 2021 and 2026. The Bank of Canada's long-term risk-free rate of 1.3% and an inflation rate of 2.0% (December 31, 2018 – 2.2% and 1.8% respectively) were used to calculate the present value of the decommissioning obligation at March 31, 2020.

A reconciliation of the changes to the decommissioning obligations during the periods is as follows:

	March 31, 2020	December 31, 2019
Balance, beginning of period	\$ 11,874,113	\$ 11,817,595
Liabilities incurred	-	53,172
Accretion	64,355	259,371
Change in estimate	(495,789)	(256,025)
Balance, end of period	\$ 11,442,679	\$ 11,874,113

14. Share Capital

(a) Issued and Outstanding Common Shares

The Company is authorized to issue an unlimited number of voting common shares and an unlimited amount of special voting shares. The following table is a continuity schedule of the Company's common shares outstanding and share capital:

	Number of Shares	Amount
March 31, 2020 and December 31, 2019	45,420,029	\$ 53,189,854

(b) Share Based Compensation

The Company's stock option plan allows for the granting of options to directors, officers, employees and contractors serving in capacity of employees of the Company. The exercise price of each option shall be fixed by the Board of Directors when such option is granted, provided that from and after the date that the common shares are listed on a stock exchange (an "Exchange"), such price shall not be less than the price permitted by such Exchange. Unless otherwise determined by the Board of Directors, vesting typically occurs one third on each of the next three anniversaries of the date of the grant as recipients render continuous service to the Company, and the share options typically expire five years from the date of the grant. The maximum number of common shares issuable on the exercise of outstanding share options at any time is limited to 10% of the issued and outstanding common shares.

Incentive options vest quarterly over one year, expire three years from the anniversary of the grant date and each Incentive Option entitles the holder to receive one common share of the Company without the payment of an exercise price. Share options vest evenly over a three-year period and expire five years from the anniversary of the grant date. Performance warrants vest upon a qualifying liquidity event and expire five years from the grant date. During the three months ended March 31, 2020, the Company recorded share-based compensation expense of \$125,755 (2019 - \$133,052)

The follow table summarizes the Company's outstanding equity compensation units:

	March 31, 2020			December 31, 2019		
	Number of units outstanding	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)	Number of units outstanding	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)
Issued						
Incentive options	10,700,000	-	1.3	10,700,000	-	1.5
Share options	11,000,000	0.05	3.4	11,000,000	0.05	3.6
Performance warrants	34,250,999	0.49	2.9	34,250,999	0.49	3.1
Units outstanding	55,950,999	0.31	2.7	55,950,999	0.31	2.9
Exercisable						
Incentive options	7,125,000	-	1.5	6,250,000	-	1.7
Share options	3,400,000	0.05	3.3	3,400,000	0.05	3.6
Performance warrants	-	-	-	-	-	-
Units outstanding	2,531,000	0.02	2.1	2,531,000	0.02	2.3

15. Net loss per Common Share

	Three months ended	
	2019	March 31, 2019
Net loss	\$ (12,208,307)	\$ (3,689,013)
Weighted number of average common shares outstanding:		
Basic and diluted	45,420,029	45,420,029
Basic and diluted net loss per share	\$ (0.27)	\$ (0.08)

For the purpose of calculating net loss per diluted share for the three months ended March 31, 2020 and 2019, none of the outstanding options, performance warrants, incentive options, or convertible debentures are included as these instruments are anti-dilutive.

16. Supplemental Cash Flow Information

The net change in non-cash working capital is comprised of:

	Three months ended	
	2020	March 31, 2019
Accounts receivable	\$ 719,623	\$ (1,051,285)
Prepaid expenses and deposits	53,828	56,305
Accounts payable and accrued liabilities, and other	245,555	1,038,154
Change in non-cash working capital	\$ 1,019,006	\$ 43,174
Related to operating activities	1,118,360	22,517
Related to investing activities	\$ (99,354)	\$ 20,657

17. Related Party Transactions

On December 23, 2015, the Company provided a loan in the amount of \$250,000 to a shareholder on competitive commercial interest-bearing terms with a maturity period of 5 years. In 2018, a portion of the individual's severance was applied against the loan and the remaining balance of \$154,692 owing at that time was impaired. The individual is still personally liable to Kaisen for the remaining balance and the Company will continue to seek repayment in full.

The corporate secretary of the Company is a partner of the Company's legal counsel, Burnet, Duckworth & Palmer LLP ("BDP"). As at March 31, 2020, \$190,969 in related party amounts were included in accounts payable and accrued liabilities (December 31, 2019 – \$174,222).

18. Subsequent Events

(a) Term loan amendment

On April 29, 2020, the Company and its lender entered into a fifth amending agreement with respect to its term loan. The amending agreement deferred both the borrowing base determination and the commencement of \$240,000 monthly principal repayments to June 30, 2020.

(b) Senior unsecured promissory note

On April 15, 2020 the Company issued a \$160,000 subordinated secured promissory note ("Promissory Note") to Azimuth Capital Management for the purpose of funding current working capital requirements. The Promissory Note is due on demand and bears interest at a rate of 8% per annum, accruing daily. The repayment of principal is due on demand and subrogated in right of payment in full of all senior indebtedness (see note 8). The Promissory Note is secured by the Company's present and after-acquired personal and real property, subordinate to any claims to such property by the holders of its term loan.