

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 and 2018

(Stated in US Dollars)

(Unaudited – Prepared by Management)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the nine months ended September 30, 2019 and 2018.

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and December 31, 2018
(Stated in US Dollars)
(Unaudited - Prepared by Management)

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|------------------|------------------|
| <u>ASSETS</u> | | |
| Current | | |
| Cash | \$ 4,654 | \$ 1,253 |
| Accounts receivable – Note 11a | 45,876 | 40,728 |
| Prepaid expenses and deposit | <u>1,588</u> | <u>2,492</u> |
| | 52,118 | 44,473 |
| Equipment | <u>-</u> | <u>157</u> |
| Total Assets | <u>\$ 52,118</u> | <u>\$ 44,630</u> |

| | | |
|--|------------------|------------------|
| <u>LIABILITIES</u> | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 548,212 | \$ 531,538 |
| Loans payable – Note 5 | 95,065 | 73,966 |
| Due to related parties – Note 6 | 1,327,792 | 1,189,937 |
| Current portion of lease obligation – Note 11b | 20,892 | 20,892 |
| Convertible debentures – Note 7 | 278,254 | 270,111 |
| Discontinued operations | <u>39,682</u> | <u>101,560</u> |
| Total liabilities | <u>2,309,897</u> | <u>2,188,004</u> |

| | | |
|---|---------------------|---------------------|
| <u>SHAREHOLDERS' DEFICIT</u> | | |
| Equity portion of convertible debentures – Note 7 | 45,385 | 45,385 |
| Share capital – Note 8 | 22,807,746 | 22,795,109 |
| Contributed surplus | 3,783,013 | 3,774,904 |
| Accumulated other comprehensive income | 126,687 | 185,188 |
| Accumulated deficit | <u>(28,373,410)</u> | <u>(28,291,403)</u> |
| Attributable to parent | (1,610,579) | (1,490,817) |
| Non-controlling interest | <u>(647,200)</u> | <u>(652,557)</u> |
| Total Shareholders' Deficit | <u>(2,257,779)</u> | <u>(2,143,374)</u> |
| Total Liabilities and Shareholders' Deficit | <u>\$ 52,118</u> | <u>\$ 44,630</u> |

Going Concern of Operations – Note 2b
Commitments – Notes 7 and 8c
Contingency – Note 13

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

| | | | |
|--------------------------|----------|------------------------|----------|
| <u>“Elston Johnston”</u> | Director | <u>“Brian Findlay”</u> | Director |
| Elston Johnston | | Brian Findlay | |

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
for the nine months ended September 30, 2019 and 2018
(Stated in US Dollars)
(Unaudited - Prepared by Management)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Revenue – Note 10 | \$ 59,550 | \$ 23,125 | \$ 129,784 | \$ 100,205 |
| Direct costs – Schedule I | <u>38,103</u> | <u>18,000</u> | <u>96,290</u> | <u>98,746</u> |
| | <u>21,447</u> | <u>5,125</u> | <u>33,494</u> | <u>1,459</u> |
| Expenses | | | | |
| Administration and general – Schedule II | 17,806 | 141,549 | 152,647 | 263,903 |
| Amortization and depreciation | - | 379 | 157 | 1,137 |
| Marketing | - | - | - | 195 |
| Interest – Note 7 | 1,176 | 18,535 | 3,739 | 37,608 |
| Share-based payments – Notes 8 | <u>-</u> | <u>-</u> | <u>15,480</u> | <u>18,826</u> |
| | <u>18,982</u> | <u>160,463</u> | <u>172,023</u> | <u>321,669</u> |
| Income (loss) before other items | 2,465 | (155,338) | (138,529) | (320,210) |
| Other items: | | | | |
| Write-off of accounts payable | <u>31,115</u> | <u>(175)</u> | <u>61,879</u> | <u>23,693</u> |
| Net income (loss) for the period | <u>33,580</u> | <u>(155,513)</u> | <u>(76,650)</u> | <u>(296,517)</u> |
| Other comprehensive income | | | | |
| Exchange differences on translating into presentation currency | <u>25,504</u> | <u>(29,394)</u> | <u>(58,501)</u> | <u>52,905</u> |
| Total comprehensive income (loss) for the period | <u>\$ 59,084</u> | <u>\$ (184,907)</u> | <u>\$ (135,151)</u> | <u>\$ (243,612)</u> |
| Basic and diluted loss per share | <u>\$ (0.00)</u> | <u>\$ (0.03)</u> | <u>\$ (0.03)</u> | <u>\$ (0.04)</u> |
| Weighted average number of shares outstanding – basic and diluted | <u>5,812,033</u> | <u>5,677,111</u> | <u>5,779,978</u> | <u>5,677,111</u> |

| Income (losses) attributable to: | For the three months ended September 30, 2019 | | | For the three months ended September 30, 2018 | | |
|---|---|-----------------------------|-----------|---|-----------------------------|--------------|
| | Shareholders of parent | Non-controlling interest | Total | Shareholders of parent | Non-controlling interest | Total |
| Net income (loss) for the period | \$ 30,531 | \$ 3,049 | \$ 33,580 | \$ (155,644) | \$ 131 | \$ (155,513) |
| Total comprehensive income (loss) for the period | \$ 56,035 | \$ 3,049 | \$ 59,084 | \$ (185,038) | \$ 131 | \$ (184,907) |
| Net income (loss) for the period | For the nine months ended September 30, 2019 | | | For the nine months ended September 30, 2018 | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Net income (loss) for the period | 82,007 | 5,357 | (76,650) | (296,063) | (454) | (296,517) |
| Total comprehensive income (loss) for the period | (140,508) | 5,357 | (135,151) | (243,158) | (454) | (243,612) |

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended September 30, 2019 and 2018
(Stated in US Dollars)
(Unaudited - Prepared by Management)

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Operating Activities | | |
| Net loss for the period | \$ (76,650) | \$ (296,517) |
| Charges to net loss not affecting cash: | | |
| Amortization and depreciation | 157 | 1,137 |
| Accretion | - | - |
| Accrued interest | 3,377 | 27,962 |
| Unrealized foreign exchange gain (loss) | 672 | (931) |
| Share-based payments | 15,480 | 18,826 |
| Write-off accounts payable | <u>(61,879)</u> | <u>(23,693)</u> |
| | (118,843) | (273,216) |
| Changes in non-cash working capital balances related to operations: | | |
| Accounts receivable | (5,456) | 13,230 |
| Prepaid expenses and deposit | 833 | (1,727) |
| Accounts payable and accrued liabilities | <u>1,246</u> | <u>51,271</u> |
| Cash provided by (used in) operating activities | <u>(122,220)</u> | <u>(210,442)</u> |
| Financing Activities | | |
| Due to related parties | 101,549 | 167,679 |
| Loans payable | 18,810 | - |
| Shares issued for cash | <u>5,266</u> | <u>27,684</u> |
| Cash provided by financing activities | <u>125,625</u> | <u>195,363</u> |
| Effect of unrealized foreign exchange gain (loss) on cash | <u>(4)</u> | <u>(15)</u> |
| Decrease in cash during the period | 3,401 | (15,094) |
| Cash, beginning of the period | <u>1,253</u> | <u>17,634</u> |
| Cash, end of the period | <u>\$ 4,654</u> | <u>\$ 2,540</u> |

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
for the nine months ended September 30, 2019 and 2018
(Stated in US Dollars)
(Unaudited – Prepared by Management)

| | Share capital | | Equity portion | Contributed | Accumulated | Accumulated | Non- | Total |
|--|------------------|----------------------|------------------|---------------------|-------------------|------------------------|---------------------|-----------------------|
| | Issued | Amount | of convertible | Surplus | Other | Deficit | Controlling | |
| | Shares | | debtentures | | Comprehensive | | Interest | |
| | | | | | Income | | | |
| Balance, December 31, 2017 | 5,677,033 | \$ 22,759,673 | \$ 45,385 | \$ 3,763,830 | \$ 30,840 | \$ (28,052,586) | \$ (654,729) | \$ (2,107,587) |
| Exercise of stock options | 35,000 | 27,684 | - | - | - | - | - | 27,684 |
| Transfer of fair value on stock options exercised | - | 7,752 | - | (7,752) | - | - | - | - |
| Share-based payments | - | - | - | 18,826 | - | - | - | 18,826 |
| Exchange differences on translating to presentation currency | - | - | - | - | 52,905 | - | - | 52,905 |
| Net loss for the period | - | - | - | - | - | (296,063) | (454) | (296,517) |
| Balance, September 30, 2018 | 5,712,033 | 22,795,109 | 45,385 | 3,774,904 | 83,745 | (28,348,649) | (655,183) | (2,304,689) |
| Exchange differences on translating to presentation currency | - | - | - | - | 101,443 | - | - | 101,443 |
| Net income for the period | - | - | - | - | - | 57,246 | 2,626 | 59,872 |
| Balance, December 31, 2018 | 5,712,033 | 22,795,109 | 45,385 | 3,774,904 | 185,188 | (28,291,403) | (652,557) | (2,143,374) |
| Exercise of stock options | 100,000 | 5,266 | - | - | - | - | - | 5,266 |
| Transfer of fair value on stock options exercised | - | 7,371 | - | (7,371) | - | - | - | - |
| Share-based payments | - | - | - | 15,480 | - | - | - | 15,480 |
| Exchange differences on translating to presentation currency | - | - | - | - | (58,501) | - | - | (58,501) |
| Net loss for the period | - | - | - | - | - | (82,007) | 5,357 | (76,650) |
| Balance, September 30, 2019 | <u>5,812,033</u> | <u>\$ 22,807,746</u> | <u>\$ 45,385</u> | <u>\$ 3,783,013</u> | <u>\$ 126,687</u> | <u>\$ (28,373,410)</u> | <u>\$ (647,200)</u> | <u>\$ (2,259,779)</u> |

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019
(Stated in US Dollars)
(Unaudited – Prepared by Management)

Note 1 Nature of Operations

The Company was incorporated under the British Columbia Company Act on March 19, 1984 and is publicly traded on the TSX Venture Exchange. During the period ended September 30, 2019, the Company's principal business was developing, manufacturing and marketing of fiber optic products.

The address of the Company's corporate office is 450 - 789 West Pender Street, Vancouver, BC V6C 1H2.

On January 7, 2019, the Company consolidated its share capital on a 20:1 share basis. All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

Note 2 Basis of Preparation

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") IAS 34 "Interim Financial Reporting".

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual consolidated financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2018.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2019.

b) Going Concern of Operations

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at September 30, 2019, the Company has not achieved profitable operations, has accumulated losses of \$28,373,410 since inception and expects to incur further losses in the development of its business, and has a working capital deficiency of \$2,257,779 all of which are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These condensed interim consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 Basis of Preparation – (cont'd)

c) Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for use of estimates and judgments made by management in the application of IFRS.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss and available-for-sale financial assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim consolidated financial statements have been presented in US dollars.

Note 3 Summary of Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the preparation of the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

The Company's significant accounting policies are disclosed in Note 3 to the annual financial statements and these condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

New standards recently adopted

The Company has initially adopted IFRS 16, Leases effective January 1, 2019. The adoption of these standards did not have significant effect on the financial statements.

Note 4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Critical estimates which are most subject to uncertainty and have the most significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next twelve months are as follows:

a) Recoverability of accounts receivable and allowance for doubtful accounts

The Company provides allowances for doubtful accounts based on an assessment of the recoverability of account receivables. Allowances are applied to account receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable.

b) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate, and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are included in the following notes:

a) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.

Note 4 Use of Estimates and Judgments – (cont'd)

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of tax assets not recognized. Tax assets not recognized are based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

c) Functional currency

The analysis of the functional currency for each entity of the Company is a significant judgment. In concluding that the Canadian dollar is the functional currency of the parent and the US dollar is the functional currency of the US subsidiaries, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the Company operates.

Note 5 Loans payable

The loans payable are non-interest bearing, unsecured and due on demand.

Note 6 Due to Related Parties

Due to related parties, representing amounts due to current directors and officers of the Company and companies controlled by directors and officers, and are non-interest bearing, unsecured and are due on demand.

Note 7 Convertible Debentures

During the year ended December 31, 2014, the Company issued CDN\$401,000 convertible debentures of which 20% of the principal amount of the debentures may be convertible into units consisting of one common share and one non-transferable share purchase warrant at CDN\$0.10 of principal outstanding (i.e. up to 802,000 units may be issued upon conversion). Each warrant has a term of three years from the date of issuance of the debentures and entitle the holder to purchase one common share. The non-transferable share purchase warrants are exercisable at the price of CDN\$0.20 per share. The convertible debentures are unsecured, bear interest at 12% per annum and matured on February 18, 2017. The Company defaulted on the repayment. On initial recognition, the Company bifurcated CDN\$49,710 to equity and CDN\$351,290 to the carrying value of the loan, which was accreted to CDN\$401,000 over the term of the convertible debentures. During the nine months ended September 30, 2019, the Company recognized interest of \$3,377 (CDN\$4,488) (September 30, 2018: \$27,962 (CDN\$35,991)). The effective interest rate of the debentures is 18%.

Note 7 Convertible Debentures – (cont'd)

On November 30, 2018, the Company entered into loan amendment agreements with respect to CDN \$351,000 of the balances outstanding, whereby the Company agreed to repay 10% of the principal amount owing and agreed to repay the remaining 90% within three days of the Company completing a private placement of common shares to raise gross proceeds in the minimum amount of \$400,000. The lenders also agreed to waive all accrued interest and agreed to the termination of the conversion option.

As at December 31, 2018 the Company repaid \$25,093 (CDN\$32,500) of these loans and wrote-off accrued interest in the amount of \$153,821 (CDN\$199,234).

Note 8 Share Capital

a) Authorized:

Unlimited common shares without par value
50,000,000 preferred shares without par value

Nature and Purpose of Equity and Reserves:

The reserves recorded in equity on the Company's condensed interim consolidated statements of financial position include 'Contributed Surplus', 'Accumulated Other Comprehensive Income', 'Accumulated Deficit' and 'Non-Controlling Interest'.

'Contributed Surplus' is used to recognize the value of stock option grants prior to exercise and the allocated value of the warrants issued as part of unit issuances.

'Accumulated Other Comprehensive Income' is used to record the change in cumulative foreign currency adjustment on conversion from the functional currency of the parent company to the presentation currency.

'Accumulated Deficit' is used to record the Company's change in deficit from profits or losses from year to year.

'Non-Controlling Interest' is used to record the change in equity in subsidiaries not attributable, directly or indirectly, to the Company.

b) Issued:

Shares issued during the nine months ended September 30, 2019

On January 25, 2019, the Company issued 100,000 common shares pursuant to the exercise of stock options at a price of CDN\$0.07 per share for total proceeds of \$5,266 (CDN\$7,000).

Shares issued during the year ended December 31, 2018

On January 12, 2018, the Company issued 700,000 common shares pursuant to the exercise of stock options at a price of CDN\$0.05 per share for total proceeds of \$27,684 (CDN\$35,000).

Note 8 Share Capital – (cont'd)

c) Commitments:

Stock-Based Compensation Plan

The Company has established a formal stock option plan in accordance with the policies of the TSX-V under which it is authorized to grant options up to a maximum of 22,600,000 common shares to officers, directors, employees and consultants. The exercise price of each option is not less than the market price of the Company's stock on the trading day immediately before the date of grant. No option will be exercisable until it has vested. Options vest immediately unless a vesting schedule is imposed by the board, or unless the options are granted to an Eligible Person providing Investor Relations Activities to the Company, in which case a maximum of 25% of the options vest on a quarterly basis. The options are for a maximum term of ten years.

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price in accordance with the stock option plan.

A summary of the status of the stock option plan as of September 30, 2019 and 2018 and changes during the periods then ended on those dates is presented below:

| | 2019 | | 2018 | |
|--|----------------|--|----------------|--|
| | <u>Options</u> | <u>Weighted Average Exercise Price</u> | <u>Options</u> | <u>Weighted Average Exercise Price</u> |
| Outstanding at the beginning of the period | 35,000 | CDN\$1.00 | 334,250 | CDN\$2.00 |
| Granted | 210,000 | CDN\$0.07 | 85,000 | CDN\$1.00 |
| Exercised | (100,000) | CDN\$0.07 | (35,000) | CDN\$1.00 |
| Expired/Forfeited/cancelled | (35,000) | CDN\$1.00 | (36,750) | CDN\$2.60 |
| | <u>110,000</u> | <u>CDN\$0.07</u> | <u>347,500</u> | <u>CDN\$2.00</u> |
| Options outstanding at end of the year | | | | |
| | <u>110,000</u> | | <u>347,500</u> | |
| Options exercisable at end of the year | | | | |
| | <u>110,000</u> | | <u>347,500</u> | |

Note 8 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

At September 30, 2019, the Company has 110,000 options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

| Outstanding | Exercisable | Exercise Price | Expiry Date |
|-----------------------|-----------------------|----------------|-----------------|
| <u>110,000</u> | <u>110,000</u> | CDN \$0.07 | January 7, 2022 |
| <u><u>110,000</u></u> | <u><u>110,000</u></u> | | |

As of September 30, 2019, the 110,000 options outstanding have a weighted average remaining contractual life of 2.27 years.

Stock-based compensation charges are expensed for stock options granted and vested with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid on the exercise of stock options and purchase of stock is credited to share capital.

During the nine months ended September 30, 2019, the Company recorded stock-based compensation expense of \$15,480 (September 30, 2018: \$18,826) for stock options vested and cancelled during the period. The fair value of share purchase options granted was estimated on the grant date for options granted to employees and each vesting date for options granted to consultants using the Black Scholes option pricing model. The weighted average assumptions used in calculating fair value were as follows: \$0.15 (September 30, 2018 - \$0.03) share price on grant date, 1.20% (September 30, 2018 – 1.96%) risk free rate, 0% (September 30, 2017 – 0%) dividend yield, 197% (September 30, 2017 - 115%) expected annualized volatility, 3 years (September 30, 2018 – 3 years) expected stock option life and 30% (September 30, 2018 – 30%) forfeiture rate. Expected annualized volatility was estimated by reference to historical volatility of the Company with a comparable period in their lives.

Note 8 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

Share Purchase Warrants

A summary of the status of share purchase warrants as of September 30, 2019 and 2018 and changes during the periods then ended on those dates is presented below:

| | 2019 | | 2018 | |
|----------------------------------|----------|---------------------------------|-----------|---------------------------------|
| | Warrants | Weighted Average Exercise Price | Warrants | Weighted Average Exercise Price |
| Balance, beginning of the period | - | - | 586,825 | CDN\$2.00 |
| Expired | - | - | (586,825) | CDN\$2.00 |
| Balance, end of the period | - | - | - | - |

At September 30, 2019, the Company had no share purchase warrants outstanding.

Note 9 Related Party Transactions

The Company incurred the following expenses with related parties of the Company:

| | Three months ended September 30 | | Nine months ended September 30, | |
|-----------------------------|------------------------------------|------------------|------------------------------------|-------------------|
| | 2019 | 2018 | <u>2019</u> | <u>2018</u> |
| Administrative expenses | | | | |
| Consulting fees | 4,544 | 4,592 | \$ 13,543 | \$ 13,984 |
| Rent | <u>5,194</u> | <u>5,166</u> | <u>15,478</u> | <u>15,732</u> |
| | <u>9,738</u> | <u>9,758</u> | <u>29,021</u> | <u>29,716</u> |
| Key management compensation | | | | |
| Consulting fees | 2,942 | 30,022 | 38,937 | 67,590 |
| Management fees | <u>2,926</u> | <u>16,073</u> | <u>34,422</u> | <u>48,945</u> |
| | <u>5,868</u> | <u>46,095</u> | <u>73,359</u> | <u>116,535</u> |
| | <u>\$ 15,606</u> | <u>\$ 55,853</u> | <u>\$ 102,380</u> | <u>\$ 146,251</u> |

These transactions were measured by the amounts agreed upon by the related parties.

Note 10 Segmented Information and Economic Dependence

As at September 30, 2019, the Company only has one reportable segment.

During the nine months ended September 30, 2019, the Company was economically dependent on one (September 30, 2018: two) customers who each accounted for more than 10% of revenue from continuing operations and in aggregate accounted for 88% (September 30, 2018: 90%) of total sales.

The Company's revenues are allocated to geographic segments for the three and nine months ended September 30, 2019 and 2018 as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------|-------------------------------------|------------------|------------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| United States of America | \$ 59,550 | \$ 23,125 | \$ 129,784 | \$ 100,205 |
| Other | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 59,550</u> | <u>\$ 23,125</u> | <u>\$ 129,784</u> | <u>\$ 100,205</u> |

The Company's net income (loss) and total non-current assets are allocated to geographic segments as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|-------------------------------------|---------------------|------------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Canada | \$ (17,230) | \$ (157,703) | \$ (165,935) | \$ (288,956) |
| United States of America | <u>50,810</u> | <u>2,190</u> | <u>89,285</u> | <u>(7,561)</u> |
| Net income (loss) for the period | <u>\$ 33,580</u> | <u>\$ (155,513)</u> | <u>\$ (76,650)</u> | <u>\$ (296,517)</u> |

| | September 30, <u>2019</u> | December 31, <u>2018</u> |
|--------------------------|------------------------------|-----------------------------|
| Canada | \$ - | \$ - |
| United States of America | <u>-</u> | <u>1,711</u> |
| Total non-current assets | <u>\$ -</u> | <u>\$ 1,711</u> |

Note 11 Financial Instruments

A fair value hierarchy prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, convertible debentures, and due to related parties approximate their fair values due to their short term nature.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses. The Company’s maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the condensed interim consolidated statements of financial position.

The aging analysis of the accounts receivable is as follows:

| | September 30, <u>2019</u> | December 31, <u>2018</u> |
|------------------------------------|------------------------------|-----------------------------|
| Current to 3 months | \$ 23,783 | \$ 12,031 |
| Over 6 months | <u>18,225</u> | <u>17,601</u> |
| Trade receivables | 42,008 | 29,632 |
| Goods and services tax recoverable | <u>3,868</u> | <u>11,096</u> |
| | <u>\$ 45,876</u> | <u>\$ 40,728</u> |

Note 11 Financial Instruments – (cont'd)

b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at September 30, 2019, the Company has a working capital deficiency of \$2,257,779. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

Future minimum annual lease payments due under lease obligation are as follows:

| | |
|---|---------------|
| 2016 (payments are in default) | \$ 14,775 |
| 2017 (payments are in default) | 7,389 |
| Total minimum lease payments | <u>22,164</u> |
| Less amount representing imputed interest of 6% | <u>1,272</u> |
| Balance of obligation | 20,892 |
| Current portion | <u>20,892</u> |
| Long-term portion | <u>\$ -</u> |

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The company is not exposed to significant risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

d) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are carried out in the United States of America; however the majority of financing is carried out in Canada. The parent company's operations are in Canada and operate in Canadian dollars. As at September 30, 2019, the Company has Canadian dollars cash of CDN\$2, accounts receivable of CDN\$5,122, accounts payable of CDN\$568,261, loans payable of CDN\$125,500 convertible debentures payable of CDN\$368,500, and due to related parties of CDN\$1,758,432, translated at USD\$1 for every CDN\$1.3243. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the ultimate profitability of the Company. A 10% change in the exchange rate would change other comprehensive income/loss by approximately \$213,000. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

Note 12 Management of Capital

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its business and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders’ deficit, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its main source of operating capital and the Company’s capital resources are largely determined by the strength of the technology and telecommunications markets and by the status of the Company’s projects in relation to these markets, and its ability to compete for investor support.

The Company is not subject to any external capital requirements. There is no change to the Company’s approach to capital management during the nine months ended September 30, 2018.

Note 13 Contingency

The Company is required to file certain foreign reporting information tax returns, and may be exposed to interest and penalties, estimated by management to be \$119,000. Management believes it is unlikely that any interest and penalties would be assessed once the Company files the forms to comply with the filing requirement, and accordingly has not accrued any amounts in the condensed interim consolidated financial statements.

In 2015, the Company entered into a Compromise and Settlement Agreement with the Niagara Video Corp. (“Niagara”) and Viewcast, Inc. (“Viewcast”) whereby Viewcast agreed to release and discharge the Company from any and all claims, demands, actions or causes of action which Viewcast has or may have against the Company upon payment in full by Niagara as follows:

- \$115,000 within 10 business days of closing of the asset purchase agreement (paid)
- \$50,000 payable in monthly instalments of \$5,000 starting April 1, 2016

The Company is contingently liable for the remaining unpaid \$50,000 from Niagara Video Corp. to Viewcast Inc. in connection with the above agreement.

Note 14 Supplemental Cash Flows Information

| | For the nine months ended September 30, | | | |
|------------------------------|--|---|-------------|---|
| | <u>2019</u> | | <u>2018</u> | |
| Interest received (paid) | \$ | - | \$ | - |
| Income taxes received (paid) | \$ | - | \$ | - |
| Dividends received (paid) | \$ | - | \$ | - |

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED SCHEDULE OF DIRECT COSTS
for the three and nine months ended September 30, 2019 and 2018
(Stated in US Dollars)
(Unaudited - Prepared by Management)

Schedule I

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------------|-------------------------------------|------------------|------------------------------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Freight | \$ 15 | \$ - | \$ 84 | \$ 175 |
| Inventories recognized as an expense | 88 | - | 206 | 180 |
| Salaries, wages and benefits | 38,000 | 18,000 | 96,000 | 97,501 |
| Shipping supplies | <u>-</u> | <u>-</u> | <u>-</u> | <u>890</u> |
| | <u>\$ 38,103</u> | <u>\$ 18,000</u> | <u>\$ 96,290</u> | <u>\$ 98,746</u> |

VALDOR TECHNOLOGY INTERNATIONAL INC.
**CONDENSED INTERIM CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND
GENERAL EXPENSES**
for the three and nine months ended September 30, 2019 and 2018
(Stated in US Dollars)
(Unaudited - Prepared by Management)

Schedule II

| | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------|-------------------------------------|-------------------|------------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Consulting fees – Note 9 | \$ 4,916 | \$ 109,128 | \$ 58,909 | \$ 165,480 |
| Entertainment and travel | - | - | - | 140 |
| Investor relations | 65 | - | 65 | - |
| Legal and accounting fees | 165 | 6,064 | 18,144 | 12,683 |
| Licences and permits | - | - | - | 872 |
| Management fees – Note 9 | 2,926 | 16,073 | 34,422 | 48,945 |
| Office and miscellaneous | 638 | 480 | 2,262 | 2,603 |
| Rent – Note 9 | 5,194 | 5,166 | 15,478 | 15,732 |
| Repairs and maintenance | 1,752 | 2,127 | 5,258 | 4,613 |
| Stock exchange filing fees | 98 | 39 | 9,849 | 4,203 |
| Telephone and utilities | 1,374 | 1,937 | 4,480 | 4,692 |
| Transfer agent fees | <u>677</u> | <u>535</u> | <u>3,779</u> | <u>3,940</u> |
| | <u>\$ 17,806</u> | <u>\$ 141,549</u> | <u>\$ 152,647</u> | <u>\$ 263,903</u> |