

GLENBRIAR TECHNOLOGIES INC.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Glenbriar Technologies Inc.

We have audited the accompanying financial statements of Glenbriar Technologies Inc., which comprise the statement of financial position as at September 30, 2018, and the statement of comprehensive income (loss), statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Glenbriar Technologies Inc. as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 2 to the financial statements which describes the material uncertainties that may cast significant doubt about the ability of Glenbriar Technologies Inc. to continue as a going concern. Our opinion is not qualified with respect to this matter.

Other Matter

The financial statements of Glenbriar Technologies Inc. for the year ended September 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on January 29, 2018.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

January 28, 2019
Vancouver, B.C.

GLENBRIAR TECHNOLOGIES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	September 30, 2018	September 30, 2017
ASSETS		
Current assets		
Cash	\$ 3,046	\$ 50,000
GST receivable	3,145	-
Assets held for sale (Note 4)	-	373,762
Total assets	\$ 6,191	\$ 423,762
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 105,564	\$ -
GST liability (Note 5)	272,366	-
Loans payable (Notes 4 and 9)	15,012	71,069
Liabilities related to assets held for sale (Note 4)	-	661,026
Total liabilities	392,942	732,095
Shareholders' equity		
Share capital (Note 6)	5,009,555	5,009,555
Deficit	(5,396,306)	(5,317,888)
Total shareholders' equity	(386,751)	(308,333)
Total liabilities and shareholders' equity	\$ 6,191	\$ 423,762

Nature of operations (Note 1)

Going concern (Note 2)

Approved and authorized on behalf of the Board of Directors on January 28, 2019.

<u>"Douglas Taylor"</u>	Director	<u>"Mark Tommasi"</u>	Director
Douglas Taylor		Mark Tommasi	

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

GLENBRIAR TECHNOLOGIES INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Year Ended September 30, 2018	Year Ended September 30, 2017
Expenses		
Consulting fees (Note 9)	\$ 17,050	\$ -
General and administrative	694	73,939
Professional fees (Note 9)	61,364	-
Management and director's fees (Note 9)	30,000	-
Transfer agent and filing fees	5,277	-
Income (loss) from operations	<u>(114,385)</u>	<u>(73,939)</u>
Other income (loss):		
Change in estimate of GST recoverable (Note 5)	(272,366)	
Finance expenses (Note 9)	-	(25,803)
Net loss from continuing operations	(386,751)	(99,742)
Income (loss) from discontinued operations (Note 4)	<u>2,081,427</u>	<u>(542,075)</u>
Net and comprehensive income (loss) for the year	<u>\$ 1,694,676</u>	<u>\$ (641,817)</u>
Weighted average number of shares outstanding, basic and diluted	130,421,510	69,588,177
Basic and diluted income (loss) per common share – continuing operations	\$ (0.00)	\$ (0.00)
Basic and diluted income (loss) per common share – discontinued operations	\$ 0.02	\$ (0.01)
Basic and diluted income (loss) per common share	<u>\$ 0.01</u>	<u>\$ (0.01)</u>

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

GLENBRIAR TECHNOLOGIES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital		Deficit	Total Shareholders' equity
	Number	Amount		
Balance as at September 30, 2016	48,421,510	\$ 4,279,555	\$ (4,676,071)	\$ (396,516)
Shares issued for cash:				
Rights offering for common shares	2,000,000	10,000	-	10,000
Private placement, net of issuance costs	80,000,000	720,000	-	720,000
Net and comprehensive loss for the year	-	-	(641,817)	(641,817)
Balance as at September 30, 2017	130,421,510	5,009,555	(5,317,888)	(308,333)
Dividends	-	-	(1,773,094)	(1,773,094)
Net and comprehensive income for the year	-	-	1,694,676	1,694,676
Balance as at September 30, 2018	130,421,510	\$ 5,009,555	\$ (5,396,306)	\$ (386,751)

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

GLENBRIAR TECHNOLOGIES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended September 30, 2018	Year ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from continuing operations	\$ (386,751)	\$ (99,742)
Change in non-cash working capital:		
GST receivable	(3,145)	
Accounts payable and accrued liabilities	105,564	
GST liability	272,366	-
	<u>(11,966)</u>	<u>(99,742)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank indebtedness, net	-	(165,221)
Repayment of loans payable	-	(273,931)
Private placement	-	720,000
Rights offering	-	10,000
Loan proceeds	15,012	-
Dividend paid	(244,905)	-
	<u>(229,893)</u>	<u>290,848</u>
Net cash (used in) provided by financing activities		
Net increase (decrease) in cash from discontinued operations (Note 4)	<u>194,905</u>	<u>(200,965)</u>
Change in cash for the year	<u>(46,954)</u>	<u>(9,859)</u>
Cash, beginning of the year	<u>50,000</u>	<u>59,859</u>
Cash, end of the year	<u>\$ 3,046</u>	<u>\$ 50,000</u>
Supplemental cash flow information		
Interest paid	\$ -	\$ 55,765
Income taxes paid	\$ -	\$ -

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

GLENBRIAR TECHNOLOGIES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. NATURE OF OPERATIONS

Glenbriar Technologies Inc. (“Glenbriar” or “Corporation”) was incorporated under the Alberta Business Corporations Act on July 15, 1994. The Corporation’s common shares are listed on the Canadian Securities Exchange (trading symbol; GTI.X). The Corporation’s head office is located at 734-1055 Dunsmuir Street, Vancouver, British Columbia, Canada, V7X 1B1.

On June 11, 2017, Uniserve Communications Corporation (“Uniserve”) invested \$800,000 for 61.3% ownership of Glenbriar. These funds were used to retire loans and other financial obligations of Glenbriar.

Effective June 30, 2017, Uniserve acquired an additional 20% of the issued and outstanding shares of Glenbriar from the directors of Glenbriar. As a result, Uniserve owned 81.3% of the issued and outstanding shares of Glenbriar as at September 30, 2017.

On October 1, 2017, Glenbriar executed an agreement to assign, sell, and transfer all of its rights, title and interest in and to all Glenbriar assets to be used or in any way connected with its conduct of business of providing information technology and software licensing, consulting, support and services to Uniserve. See note 4.

The Corporation is currently seeking new business opportunities.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”).

A summary of the Corporation’s significant accounting policies under IFRS is presented in note 3. These policies have been consistently applied.

Basis of measurement and going concern

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. The financial statements have been prepared on an accrual basis except for cash flow information.

These financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern. As at September 30, 2018, the Corporation has a working capital deficiency of \$386,751 (2017 - \$308,333) and has an accumulated deficit of \$5,396,306 (2017 - \$5,317,888). The Corporation incurred a net loss from continuing operations during the year ended September 30, 2018 of \$386,751 (2017 –\$99,742). In order to continue as a going concern, the Corporation will need to generate positive cash flows from operations or obtain additional debt or equity financing. Whether and when the Corporation can generate sufficient operating and/or financing cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2018 is uncertain. These financial statements do not give effect to any adjustments which may be necessary should the Corporation be unable to continue as a going concern and therefore realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Use of estimates and judgements

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses and other income (loss) from continuing operations and income (loss) from discontinued operations during the periods presented. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from the estimates.

The following discussion sets forth management's most critical estimates and assumptions in determining the carrying amounts of assets, liabilities and equity (deficiency):

GST liability

The recognition of the GST liability required management's judgement regarding the Corporation's responsibility to settle the liability. Management was also required to make an estimate of the amount that may be paid to settle the obligation.

Income taxes

The measurement of income taxes requires management to make judgements in the interpretation and application of relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. The availability of tax pools is subject to audit and interpretation by taxation authorities. There are no current or deferred income taxes recognized in the financial statements as disclosed in note 8 and management estimates that these items have been fairly valued.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit with banks and short-term deposits with initial maturities of three months or less. The Corporation did not have any cash equivalents as at September 30, 2018 or 2017.

Property and equipment

Upon initial recognition, property and equipment are recorded at cost, being the purchase price and directly attributable costs of acquisition, development or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation. Subsequent measurement is at cost less accumulated depreciation less any accumulated impairment losses. When parts of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of a replaced asset is derecognized after replacement. Repairs and maintenance are charged to the statement of comprehensive income (loss) during the period in which they occur.

Depreciation on computer hardware and office equipment was recorded using the declining-balance method at rates of 30% and 20%, respectively. Depreciation on office operating systems and data centre equipment was on a straight line basis over 5 years.

Finance leases

Finance leases that transfer substantially all the benefits and risks of ownership to the Corporation are accounted for at the commencement of the lease term as finance leases and recorded as property and equipment at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments, together with an offsetting liability. Finance charges are allocated to each period in accordance with the applicable agreements and are charged directly to income as finance expenses. Capitalized leased assets are amortized in accordance with the Corporation's property and equipment policy. All other leases are accounted for as operating leases and the lease costs are expensed as incurred.

Government assistance

The Corporation may be entitled to investment tax credits or other incentives based on certain research and experimental development costs incurred. These amounts are netted against the related assets in expenses in the period in which they are earned and realization is considered to be probable. Investment tax credits or other incentives may be subject to assessment and approval by the applicable government authority. Adjustments, if any are required, are reflected in the year when such assessments are received. No government tax credits or incentives were earned or recorded during 2018 or 2017.

Impairment of non-financial assets

At each reporting date, the Corporation's non-financial assets are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statements of comprehensive income (loss).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is based on the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows to be derived from the asset in its current state are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income taxes are comprised of current and deferred taxes. Income tax expense (recovery) is recognized in income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). Current taxes are the expected taxes payable on the taxable income for the period plus any adjustment to taxes payable in respect of previous periods. Deferred taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences including carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred taxes are not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Net income (loss) per common share

The Corporation follows the treasury stock method to determine the dilutive effect of stock options or other potentially dilutive instruments. Under this method, basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional incremental common shares that would have been outstanding for any potentially dilutive stock options or other instruments were exercised for common shares using the treasury stock method.

Provisions and contingencies

A provision is recognized on the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision was recorded for the GST liability as at September 30, 2018 (note 5). No such provisions were required as at September 30, 2017.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the rate of exchange in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are recorded at rates of exchange in effect at the statement of financial position date and any resulting gains or losses are recorded in income (loss) for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held to maturity", or "financial liabilities measured at amortized cost".

Financial assets are classified as loans and receivables, held to maturity, held for trading, designated at fair value through profit or loss and available-for-sale. Loans and receivables include all loans and receivables except debt securities, and are accounted for at amortized cost using the effective interest rate method and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Held to maturity classification is restricted to fixed maturity non-derivative instruments that the Corporation intends and is able to hold to maturity, and are accounted for at amortized cost using the effective interest rate method. Held for trading and designated at fair value through profit or loss instruments are measured at fair value on the statement of financial position, with realized and unrealized gains and losses reported in net income (loss) and transaction costs are expensed when incurred. The remaining non-derivative financial assets are classified as available-for-sale. These are recorded at fair value, with gains or losses being recognized in other comprehensive income (loss). Derecognition of a financial asset and other than temporary impairment losses are recognized in income (loss).

Financial liabilities are classified as held for trading, designated at fair value through profit and loss or financial liabilities measured at amortized cost. Held for trading and designated at fair value through profit and loss instruments are recorded at fair value with realized and unrealized gains and losses reported in income (loss), and transaction costs are expensed when incurred. Financial liabilities measured at amortized cost and non-derivative instruments are accounted for at amortized cost using the effective interest rate and represent all financial liabilities not classified as held-for-trading or designated at fair value through profit and loss.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

The Corporation has designated accounts receivable as loans and receivables; and bank indebtedness, accounts payable and accrued liabilities, loans payable, and finance loans as financial liabilities measured and carried at amortized cost. The Corporation's cash is classified as held-for-trading. Fair value is determined by reference to published price quotation. The Corporation does not have any derivative financial instruments.

The Corporation assesses at each reporting date, whether there is objective evidence that financial assets, other than those designated as fair value through profit or loss are impaired. When impairment has occurred, the cumulative loss is recognized in income (loss). For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an "available-for-sale" financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income (loss) are reclassified to (income) loss in the period. Impairment losses may be reversed in subsequent periods.

Finance income and expenses

Finance expense is comprised of interest expense on borrowings, and impairment losses recognized on financial assets. For the years ended September 30, 2018 and 2017, finance expense consists of interest on the Corporation's bank indebtedness, loans payable, finance leases, and accounts payable and accrued liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale and discontinued operations

The Corporation classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Corporation must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Corporation measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories or financial assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in income (loss); however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying asset or disposal groups as held for sale, the Corporation presents the assets separately as a single amount and the associated liabilities separately as a single amount on the statement of financial position. The comparative period statements of financial position are not restated. Assets held for sale are not depreciated, depleted, or amortized.

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Corporation, both operationally and for financial reporting purposes.

When the Corporation classifies an operation as a discontinued operation, it re-presents the comparative statements of income and comprehensive income as if the operation had been discontinued from the start of the comparative year. In doing this, the Corporation excludes the results for the discontinued operations and any gain or loss from disposal from the statements of income and comprehensive income from continuing operations and presents them on a separate line as income or loss (net of tax) from the discontinued operation. Per share information and changes to other comprehensive income (loss) related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the statement of cash flows.

Recent accounting pronouncements not yet adopted

For annual periods beginning on or after January 1, 2018:

IFRS 9, "Financial Instruments" provides a comprehensive standard for accounting for financial instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting.

IFRS 15, "Revenue from Contracts with Customers" outlines how to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Corporation expects to be entitled in exchange for those goods and services. IFRS 15 also results in enhanced disclosures about revenue, provides guidance for transactions not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements.

The adoption of these standards is not expected to have a significant impact on the Corporation's financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements not yet adopted (continued)

For annual periods beginning on or after January 1, 2019:

IFRS 16, “Leases” specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, and lessor accounting is substantially unchanged from IAS 17. Upon adoption, a lessee shall either apply IFRS 16 with full retrospective effect, or alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity. Early adoption is permitted if IFRS 15 is also adopted.

Adoption of this standard is not expected to have a significant impact on the Corporation’s financial statements.

4. DISCONTINUED OPERATIONS

During the year ended September 30, 2017, the Corporation made the determination that it would pursue options to sell its operating business and related net assets (the “Business”), including a potential sale to Uniserve, the then parent of the Corporation (the “Purchaser”). As at September 30, 2017, the Business was classified as a separate disposal group held for sale and as a discontinued operation.

On October 1, 2017 a final purchase price of \$1,782,492, after adjustments, was determined with consideration consisting of cash of \$254,303 and a demand, non-interest bearing promissory note in the principal amount of \$1,528,189. The promissory note was settled by way of a dividend declared during the year (note 6).

Gross proceeds	\$ 1,782,492
Less: assets held for sale	(373,762)
Add: liabilities held for sale	661,026
Add: officer loans assumed by Purchaser	71,069
Less: additional expenses incurred in closing the transaction	(59,398)
Gain on sale of operating business and assets	<u>\$ 2,081,427</u>

Assets held for sale consisted of the following as at September 30, 2017:

Cash and cash equivalents	\$ 45,162
Accounts receivable	235,641
Prepaid expenses	64,634
Inventory	28,325
	<u>\$ 373,762</u>

Liabilities held for sale consisted of the following as at September 30, 2017:

Accounts payable and accrued liabilities	\$ 393,474
Finance leases	42,516
Finance loans	33,213
Deferred revenue	163,462
Deferred rent	28,361
	<u>\$ 661,026</u>

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4. DISCONTINUED OPERATIONS (continued)

Income (loss) from discontinued operations for the years ended September 30, 2018 and 2017:

	2018	2017
Revenue		
Managed information services	\$ -	\$ 2,602,100
Equipment and software sales	-	1,100,681
Other income	-	24,637
Gross revenue	-	3,727,418
Cost of services	-	1,472,279
Cost of goods sold	-	870,299
Gross profit	-	1,384,840
Expenses		
General and administrative	-	1,130,306
Sales and marketing	-	134,867
Foreign exchange	-	4,207
Depreciation of property and equipment	-	148,758
	-	1,418,138
Loss before other income (expenses)	-	(33,298)
Other income (expenses):		
Finance expense	-	(60,850)
Impairment of property and equipment	-	(447,927)
Gain on sale	2,081,427	-
	2,081,427	(508,777)
Income (loss) from discontinued operations	\$ 2,081,427	\$ (542,075)

Net cash flows attributable to the operating, financing, and investing activities of the discontinued operations are as follows:

	2018	2017
Net operating cash flows provided by (used in) discontinued operations	\$ 254,303	\$ (104,778)
Net financing cash flows used in discontinued operations	(59,398)	(96,187)
Net increase (decrease) in cash from discontinued operations	\$ 194,905	\$ (200,965)

5. GST LIABILITY

During the year ended September 30, 2018, the Corporation received notice from the Canada Revenue Agency (“CRA”) that the Corporation’s GST claims from October 2014 to August 2017 were denied. As a result of CRA’s assessment, they are requesting the Corporation repay all refunds paid. As a result of the CRA’s notice, the Corporation has recognized a liability of \$272,366, which represents the full amount of GST refunds to be repaid including interest up to September 30, 2018. The Corporation is currently appealing CRA’s assessment. The outcome of the appeal is unknown.

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6. SHARE CAPITAL

a) *Authorized*

Unlimited number of common shares

Unlimited number of preferred shares of one or more series

b) *Common shares issued and outstanding*

	Number of shares	Amount
Balance, September 30, 2016	48,421,510	\$ 4,279,555
Rights offering (i)	2,000,000	10,000
Private placement (ii)	80,000,000	800,000
Issuance costs (ii)	-	(80,000)
Balance September 30, 2017 and 2018	<u>130,421,510</u>	<u>\$ 5,009,555</u>

- i) The Corporation completed a rights offering on May 20, 2017, which resulted in subscriptions for 2,000,000 common shares for proceeds of \$10,000.
- ii) In June 2017, the Corporation completed a private placement for 80,000,000 common shares for gross proceeds of \$800,000. A 10% placement fee of \$80,000 was paid to the shareholder. The shareholder became the controlling shareholder as a result of this transaction.

c) *Income (loss) per share*

There were no equity instruments that could potentially dilute basic income (loss) per share at September 30, 2018 or 2017.

d) *Dividend*

During the year ended September 30, 2018, the Corporation declared a dividend of \$0.0136 per share to all shareholders of record on January 23, 2018. The Corporation paid cash of \$244,905 and settled \$1,528,189 of the dividend by cancellation of the promissory note issued in the sale of business operations and assets (Note 4) as a non-cash financing activity.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk complies with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value of financial instruments

The Corporation's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, and finance loans. The carrying values of the Corporation's accounts receivable, accounts payable and accrued liabilities, and finance loans approximate their respective fair values due to their short term to maturity. As the Corporation's loans payable bear interest at floating market rates, the respective carrying values approximate fair value.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.
- Level 2 reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instrument in the Corporation's financial statements, carried at fair value, measured using Level 1, is cash.

Credit risk

Credit risk is the risk of potential loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is limited to the carrying value of its financial instruments shown on the statements of financial position and arises from the Corporation's cash. As cash is held in a reputable financial institution, credit risk is considered minimal.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations as they become due. For the year ended September 30, 2018, the Corporation had a net loss from continuing operations of \$386,751, cash used in operating activities of \$11,966, and at September 30, 2018 has a working capital deficiency of \$386,751.

Management believes that the Corporation will require funding from shareholder advances or equity financings in order to satisfy its current and future obligations. The Corporation is currently looking for an acquisition.

A contractual maturity analysis of the Corporation's financial liabilities is as follows:

Financial liabilities	2019	2020	Total
Accounts payable	\$ 105,564	\$ -	\$ 105,564
Loans payable	15,012	-	15,012
	<u>\$ 120,576</u>	<u>\$ -</u>	<u>\$ 120,576</u>

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risk. It is management's opinion that the Corporation is not subject to significant other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk on any outstanding drawings on its loans payable. An increase or decrease in the interest rate of 1% would result in approximately a \$Nil (2017 – \$710) adjustment to profit or loss.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. During fiscal 2018, Nil (2017 – 9.1%) of total revenue was denominated in US dollars. At September 30, 2018, approximately \$Nil (2017 - \$12,425), \$Nil (2017 - \$33,750), \$Nil (2017 - \$24,875) and \$Nil (2017 - \$26,610) of the Corporation's cash, accounts receivable, accounts payable and accrued liabilities, and finance loans were denominated in US dollars, respectively. An increase in value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts, while a decrease in the value of the Canadian dollar will increase the amounts. Exchange rate fluctuations have increased in volatility under current economic conditions, and this risk cannot be accurately quantified. A 1% change in the Canadian-US exchange rate on the net assets held in US\$ would increase or decrease profit or loss by approximately \$Nil (2017 - \$53). Due to the small amounts, the Corporation has no contracts in place to mitigate this exposure.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital management

The Corporation's goal is to develop a strong capital base to meet its growth objectives, while maintaining the ability to fulfill its financial obligations, finance internal growth and fund potential acquisitions. The Corporation may be required to seek additional equity or debt financing, reduce its operations or to limit its growth to maintain liquidity. The Corporation does not have adequate surplus capital on hand to establish and implement a robust marketing and sales program or to make strategic acquisitions. Accordingly, the Corporation may reasonably be expected to issue additional equity or obtain more debt to achieve the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative future events.

The Corporation's capital consists of the Corporation's shareholders' equity and debt that it may issue. The Corporation's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented. The Corporation's capital is not subject to any external restriction.

8. INCOME TAXES

The components of the deferred income tax asset amounts as at September 30, 2018 and 2017 are as follows:

	2018	2017
Excess of tax basis over carrying amount on non-current assets	\$ -	\$ 194,017
Tax losses carried forward	1,088,000	1,079,420
Share issue costs	13,000	(4,193)
	<u>1,101,000</u>	<u>1,269,244</u>
Unrecognized net deferred tax assets	<u>(1,101,000)</u>	<u>(1,269,244)</u>
	<u>\$ -</u>	<u>\$ -</u>

Management has assessed the net deferred tax asset using the criteria of whether it is probable that the deferred tax assets can be realized. Based on the uncertainty of future taxable income, management has not recognized a deferred tax asset as at September 30, 2018 and 2017.

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8. INCOME TAXES (continued)

As at September 30, 2018, the Corporation had non-capital losses of approximately \$4,028,000 available to be carried forward to reduce future taxable income. The benefit of these credits and losses has not been recognized in the financial statements. These credits and losses expire as follows:

	Non-capital losses
	\$
2026	216,000
2027	267,000
2028	751,000
2029	698,000
2030	1,119,000
2033	134,000
2035	562,000
2036	99,000
2037	184,000

Income tax expense (recovery) differs from the amounts which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective years' loss before income taxes. The following schedule explains the differences between the expected and actual tax expense (recovery):

	Continuing	2018 Discontinued	Total
	Operations	Operations	
	\$	\$	\$
Income (loss) before income taxes	(386,751)	2,081,427	1,694,676
Expected income taxes – statutory rate of 26.75%	(103,456)	556,782	453,326
Adjustments to tax pools and other	141,995	(419,235)	(277,240)
Impact of future income tax rates applied versus current statutory rate	(37,121)	-	(37,121)
Use of non-capital losses from prior years	-	(30,221)	(30,221)
Change in estimate	(27,191)	56,470	29,279
Change in unrecognized deductible temporary differences	25,773	(163,796)	(138,023)
Total income tax expense	-	-	-

	Continuing	2017 Discontinued	Total
	Operations	Operations	
	\$	\$	\$
Income (loss) before income taxes	(99,742)	(542,075)	(641,817)
Expected income taxes – statutory rate of 26.2%	(26,132)	(142,024)	(168,156)
Adjustments to tax pools and other	3,586	19,487	23,073
Change in unrecognized deductible temporary differences	22,546	122,537	145,083
Total income tax expense	-	-	-

9. RELATED PARTY TRANSACTIONS

During the prior year, the full amount of salaries including remuneration to key management personnel is included in discontinued operations (note 4). General and administrative expenses includes remuneration of the key management personnel, which includes senior management, directors and officers of the Corporation. For the year ended September 30, 2017, remuneration of \$333,018 related to salaries, benefits and cash-based compensation for key management personnel. Total salaries and benefits, including amounts included in cost of services, general and administrative, sales and marketing, and property and equipment, were \$1,710,254.

During the current year, total key management personnel compensation consists of the following amounts:

Consulting fees	\$	2,050
Professional fees		17,500
Management and director's fees		30,000
	\$	<u>49,550</u>

Loans payable at September 30, 2017 in the amount of \$71,069 consisted of net advances from officers of the Corporation, secured by a general security agreement, and bore interest at the rate of 10%. This amount was partially repaid from the private placement in June 2017. During the year ended September 30, 2018, the remainder of the loans payable were repaid out of the sale proceeds (note 4). Finance expenses include \$Nil (2017 - \$25,802) of interest on the advances.

As at September 30, 2018, accounts payable and accrued liabilities included \$51,075 (2017 - \$Nil) due to key management personnel.