

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

June 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
VPN Technologies Inc.

Opinion

We have audited the accompanying consolidated financial statements of VPN Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses since inception and, as of June 30, 2020, the Company's current liabilities exceeded its total assets by \$108,261. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 22, 2020

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30
(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current		
Cash	\$ 2,114	\$ 1,531
Receivables	-	41,688
	2,114	43,219
Investment in intellectual assets (Note 4)	33,000	99,811
	\$ 35,114	\$ 143,030
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 5,11)	\$ 110,375	\$ 196,291
Shareholders' equity (deficiency)		
Share capital (Note 6)	2,670,240	2,186,596
Subscription received (Note 6)	-	6,000
Reserves (Note 7,8)	577,141	497,581
Deficit	(3,322,642)	(2,743,438)
	(75,261)	(53,261)
	\$ 35,114	\$ 143,030

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Paul Dickson" Director "Harvey Dick" Director

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

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	2020	2019
REVENUE	\$ 25,337	\$ 11,400
EXPENSES		
Advertising and promotion	88,673	341,800
Business development	-	32,968
Consulting fees (Note 11)	251,199	344,258
Depreciation	47,900	43,892
General and administrative (Note 11)	84,550	125,837
Product development	9,967	26,028
Professional fees	30,583	42,063
Stock-based compensation (Note 7)	72,758	-
	<u>(585,630)</u>	<u>(956,846)</u>
Operating loss	<u>(560,293)</u>	<u>(945,406)</u>
Write-off intellectual assets (Note 4)	<u>(18,911)</u>	<u>(19,852)</u>
Loss and comprehensive loss for the year	<u>\$ (579,204)</u>	<u>\$ (965,258)</u>
Basic and diluted loss per common share	<u>\$ (0.07)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares outstanding	<u>8,217,261</u>	<u>4,715,817</u>

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

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	<u>Share capital</u>		Reserves	Subscription Received	Deficit	Total Shareholders' Equity (Deficiency)
	Common Shares	Amount				
Balance at June 30, 2018	4,683,828	\$ 2,134,736	\$ 510,441	\$ -	\$ (1,778,180)	\$ 866,997
Loss for the year	-	-	-	-	(965,258)	(965,258)
Subscription received in advance	-	-	-	6,000	-	6,000
Shares issued for acquisition	26,000	26,000	-	-	-	26,000
Exercise of stock options	20,000	25,860	(12,860)	-	-	13,000
Balance at June 30, 2019	4,729,828	2,186,596	497,581	6,000	(2,743,438)	(53,261)
Loss for the year	-	-	-	-	(579,204)	(579,204)
Stock-based compensation	-	-	72,758	-	-	72,758
Shares issued for cash	1,074,092	236,300	-	(6,000)	-	230,300
Share issue costs-cash	-	(7,040)	-	-	-	(7,040)
Shares issued for past services	4,335,000	261,186	-	-	-	261,186
Share issue costs-warrants	-	(6,802)	6,802	-	-	-
Balance at June 30, 2020	10,138,920	\$ 2,670,240	\$ 577,141	\$ -	\$ (3,322,642)	\$ (75,261)

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

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30
(Expressed in Canadian Dollars)

	2020	2019
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	\$ (579,204)	\$ (965,258)
Items not affecting cash:		
Depreciation	47,900	43,892
Stock-based compensation	72,758	-
Write-off intellectual assets	18,911	19,852
Shares issued for services	261,186	-
Changes in non-cash working capital items:		
Receivables	41,688	(22,466)
Prepaid expenses	-	151,458
Accounts payable and accrued liabilities	(85,916)	126,699
Net cash used in operating activities	(222,677)	(645,823)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment in intellectual asset	-	(40,014)
Net cash used in investing activities	-	(40,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital	230,300	-
Subscription received	-	6,000
Share options exercised	-	13,000
Share issue costs	(7,040)	-
Net cash provided by financing activities	223,260	19,000
Change in cash during the year	583	(666,837)
Cash, beginning of year	1,531	668,368
Cash, end of year	\$ 2,114	\$ 1,531

Supplemental disclosure with respect to cash flows:

The Company did not incur any interest or tax expenditures for fiscal 2019 and 2020

During fiscal 2020, the Company:

- i) issued 32,000 finder's warrants at a value of \$6,802
- ii) issued 4,335,000 common shares for past services performed, to certain related parties of the Company at a value of \$261,186.

During fiscal 2019, the Company:

- i) issued 26,000 common shares at a value of \$26,000 for investment in intellectual assets
- ii) transfer from reserves to share capital on exercise of options valued at \$12,860

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Description of the Business

VPN Technologies Inc (formerly Subscribe Technologies Inc) (the “**Corporation**”) was incorporated under the Business Corporations Act (*Ontario*) on September 13, 2010. The Corporation is in the technology business and has one wholly owned subsidiary, Mobilman Management Inc (“**MM**”). The Corporation’s principal offices are located at 750 West Pender Street, Suite 804, Vancouver, BC, V6C 2T7. On November 15, 2019, the Company completed a share consolidation on the basis of one (1) new common share for every ten (10) old common shares held (the “Consolidation”). All common share and per share amounts have been retroactively restated to reflect the Consolidation.

Basis of Operations and Going Concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Corporation will require additional funding which, if not raised, would result in the curtailment of activities and delays in its ability in becoming self-sufficient. The Corporation had working capital deficiency of \$108,261 as at June 30, 2020, and has incurred losses since inception, resulting in an accumulated deficit of \$3,322,642 as of that date. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. These financial statements do not reflect adjustments that should be necessary if the “going concern” assumption were not appropriate. If the “going concern” were not appropriate for these financial statements, then adjustments to the carrying value of the assets and liabilities and expenses and the balance sheet classifications which could be material, would be necessary.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The consolidated financial statements of the Company for the year ended June 30, 2020 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on December 22, 2020.

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 and 2019
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary MM. Control exists when the Company possesses power over an investee, has exposures to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

New Accounting Standards

The Company adopted the following new accounting standard as at July 1, 2019:

IFRS 16, *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company did not have any leases as at June 30, 2020, therefore the adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

2. **BASIS OF PRESENTATION** (continued)

Critical Accounting Estimates and Judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. At least annually or whenever there is an indicator for impairment management evaluates the recoverable amount. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates. The amortization expense related to intangible assets is determined using estimates of the useful life of the intangible asset.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Functional and presentation currency

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

Intellectual Assets

The Corporation capitalizes development costs of internally generated assets that meet the criteria for capitalization.

Intangibles are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Amortization on an asset does not begin until the asset is available for usage. Amortization is provided using methods outlined below at rates intended to amortize the cost of intangibles less, their estimated residual values, over their estimated useful lives.

<u>Intangibles</u>	<u>Depreciation method and Rate</u>
Core Software	3 years straight line
Computer software	3 years straight line

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangibles acquired separately

Intangibles with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization rate are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangibles with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangibles

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Internally-generated intangible assets arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangibles is the sum of the expenditure incurred from the date when the intangibles first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangibles are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangibles that are acquired separately.

Derecognition of intangibles

An intangible is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible, measured as the difference between the net disposal proceeds and the carrying amount of the intangible, is recognized in profit or loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, management reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangibles with indefinite useful lives and intangibles not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

VPN TECHNOLOGIES INC.
(FORMERLY SUBSCRIBE TECHNOLOGIES INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax

Current tax is based on the results for the period and adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise upon initial recognition of goodwill or arise on initial recognition of assets and liabilities acquired other than in a business combination where at the time of transaction effects neither accounting profit or taxable income (tax loss).

Earnings (Loss) Per Share

Earnings (loss) per share is calculated by dividing the loss applicable to common shares by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing the loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation. Any warrants or options considered anti-dilutive are not added to the number of shares outstanding.

VPN TECHNOLOGIES INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Company classifies its' financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The following table shows the classification of financial instruments.

	Classification
Cash	FVTPL
Receivables	Amortized costs
Accounts payable and accrued liabilities	Amortized costs

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Hierarchy

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

For the years presented, cash is measured at fair value and classified within Level 1 of the fair value hierarchy.

Share-based Payments

Stock options issued by the Corporation are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to profit or loss over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to reserves. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received together with the amount previously recorded in reserves, are added to share capital. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to reserves. Fair value is measured using the Black-Scholes option-pricing model.

Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized in accordance with IFRS 15 Revenue from Contracts with Customers which specifies how and when to recognize revenue and is based on a five-step model as follows:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when or as the Company satisfies performance obligations.

Amounts disclosed as revenue are net of allowances, discounts and rebates.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants

The Corporation measures the fair value of compensatory warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of compensatory warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to reserves. The fair value of warrants exercised is recorded as share capital. The value of warrants issued in a unit offering is based on the residual value method.

4. INVESTMENT IN INTELLECTUAL ASSETS

The Mobilman application is a Software-as-Service cloud-based solution accessible via secured web portals and mobile devices to help manage an organization's mobile workforce and resources.

Balance June 30, 2018	\$ 97,541
Additions	66,014
Depreciation	(43,892)
Write-off	<u>(19,852)</u>
Balance June 30, 2019	99,811
Depreciation	(47,900)
Write-off	<u>(18,911)</u>
Balance June 30, 2020	<u>\$ 33,000</u>

During the year ended June 30, 2019, the Company acquired a proprietary platform for creating professional live and automated webinar funnels. To acquire the platform, the Company issued 26,000 common shares, valued at \$26,000 and made a payment of \$40,014 (US\$30,000).

During the 2020 fiscal year, the Company reviewed its intellectual assets and wrote off \$18,911 (2019 - \$19,852) due to the delay in the development of certain intellectual assets.

The intellectual assets as at June 30, 2020 consists of its VPN network.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	June 30, 2019
Accounts payables and accrued liabilities	\$ 72,125	\$ 58,478
Due to related parties (Note 11)	38,250	137,813
	<u>\$ 110,375</u>	<u>\$ 196,291</u>

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6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Fiscal 2019 Transactions

In November 2018, the Company issued 26,000 common shares valued at \$26,000 for an intellectual asset (note 4).

During the year ended June 30, 2019, the Company issued 20,000 common shares on the exercise of stock options for proceeds of \$13,000 and cancelled 260,000 stock options.

Fiscal 2020 Transactions

On August 16, 2019 the Company closed a non-brokered private placement of 1,074,092 units at price of \$0.22 per unit, for gross proceeds of \$236,300. Each unit consisted of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.50 per warrant share until August 16, 2020. In connection with the financing, the Company paid financing costs of \$7,040 and issued 32,000 finder's warrants exercisable into common shares at a price of \$0.50 for a period of one year from the date of issuance. The warrants were valued at \$6,802 using the Black-Scholes option pricing model with a volatility of 210%, expected life of one year and a discount rate of 1.25%. The Company received \$6,000 for the private placement prior to June 30, 2019.

On November 20, 2019, the Company issued 3,795,000 common shares of the Company for past services performed, in lieu of cash, to certain related parties of the Company at a value of \$217,986. Paul Dickson, President, CEO and a director of the Company received 1,900,000 Shares through his company, Basic Corporate Services Ltd., Harvey Dick, a director of the Company received 1,300,000 Shares and Christopher P. Cherry received 595,000 Shares through his company, Cherry Consulting Ltd.

On January 17, 2020, the Company issued 540,000 common shares of the Company for past services performed, in lieu of cash, to Harvey Dick, a director of the Company at a value of \$43,200.

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7. STOCK OPTIONS

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant, subject to a minimum exercise price of \$0.10 per share. Options granted under the Plan will have a term not to exceed ten years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, June 30, 2018	332,797	\$ 1.10
Exercised	(20,000)	0.65
Cancelled/Expired	(26,000)	1.10
Outstanding and exercisable, June 30, 2019	286,797	1.18
Granted	1,200,000	0.08
Cancelled/Expired	(536,797)	0.66
Outstanding and exercisable, June 30, 2020	950,000	\$ 0.08

On February 3, 2020, the Company granted incentive stock options to purchase a total of 1,000,000 common shares at an exercise price of \$0.075 per share for a period of five years to certain directors, officers and consultants in accordance with the provisions of its stock option plan. The fair value of the options granted is \$60,889 based on the Black-Scholes option pricing model.

On May 14, 2020, the Company granted incentive stock options to purchase a total of 150,000 common shares at an exercise price of \$0.10 per share for a period of two years to a consultant in accordance with the provisions of its stock option plan. The fair value of the options granted is \$ 11,869 based on the Black-Scholes option pricing model

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	May 14, 2020	February 3, 2020
Risk-free interest rate	0.25%	1.28%
Expected life of options	2.0 years	5.0 years
Annualized volatility	222.94%	262.50%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

As at June 30, 2020, the following options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
December 29, 2021	\$ 0.075	750,000
August 16, 2020	0.10	200,000
		950,000

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8. WARRANTS

The following table summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2018 and June 30, 2019	1,932,400	1.23
Issued	1,106,092	0.50
Expired	(1,162,400)	1.13
Outstanding and exercisable, June 30, 2020	1,876,092	\$ 0.87

As at June 30, 2020, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
December 29, 2021	\$ 1.00	20,000
June 28, 2021	1.40	750,000
August 16, 2020	0.50	1,074,092*
August 16, 2020	0.50	32,000*
		1,876,092

* Subsequently expired unexercised

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Transactional Risk

The Corporation does not use hedging transactions to manage risk. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk. The Corporation manages risk as follows:

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The ability to do this relies on the Corporation raising capital through equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at June 30, 2020, the Corporation had \$2,114 in cash to settle \$110,375 current liabilities. While the Corporation did complete a private placement during year ended June 30, 2020 (Note 6), the Corporation is exposed to liquidity risk.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

The Corporation does not trade in financial instruments and is not exposed to significant interest rate risk for the years presented.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk and other price risk.

Credit Risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Balances of cash in financial institutions may at times exceed the government-insured limits.

Credit Risk

As of the date of these financial statements the Corporation's only debtor is the government of Canada for Goods and Sales Tax and Government of Quebec for the Quebec Sales Tax receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk.

Currency Risk

Currency risk is the risk that changes in exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation does not have any material transactions denominated in foreign currency and is not exposed to material foreign currency risk.

Other Price Risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk.

Fair Values

Financial instruments include cash, receivables, and accounts payable and accrued liabilities. The fair values of these financial instruments, other than cash, approximate their carrying value due to the relatively short-term maturity of these instruments. The Corporation classifies its cash as financial assets at fair value through profit or loss, receivables as amortized cost and its accounts payable and accrued liabilities as amortized cost. Cash is measured at fair value using level 1 of the fair value hierarchy.

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10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2019 - 27%) to income before income taxes. The reasons for the differences are as follows:

		2020		2019
Loss before income taxes	\$	(579,204)	\$	(965,258)
Statutory income tax rate		27%		27%
Expected income tax recovery	\$	(156,000)	\$	(261,000)
Changes in statutory rates and other		-		7,000
Share issue cost		(2,000)		-
Unrecognized benefit of deferred tax assets		158,000		254,000
Total income tax expense	\$	-	\$	-

The Company has non-capital losses of approximately \$2,808,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through 2039.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

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11. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	2020	2019
Consulting fees charged by directors, officers and corporations under their control	\$ 153,700	\$ 246,300
Share based compensation	40,648	-
General and administrative expense	1,800	7,200
Total	\$ 196,148	\$ 253,500

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective years.

- b) Included in accounts payable and accrued liabilities is \$38,250 (June 30, 2019 - \$137,813) due to corporation controlled by an officer and directors of the Company.
- c) On November 20, 2019, the Company issued 3,795,000 common shares (the "Shares") of the Company for past services performed (the "Shares for Services"), to certain related parties of the Company at a value of \$217,986. Paul Dickson, President, CEO and a director of the Company received 1,900,000 Shares through his company, Basic Corporate Services Ltd., Harvey Dick, a director of the Company received 1,300,000 Shares and Christopher P. Cherry received 595,000 Shares through his company, Cherry Consulting Ltd.
- d) On January 16, 2020, the Company issued 540,000 common shares of the Company at a value of \$43,200 for past services performed (the "Shares for Services"), to Harvey Dick, a director of the Company.
- e) On February 3, 2020, Company granted incentive stock options to purchase a total of 750,000 common shares at an exercise price of \$0.075 per share for a period of five years to certain directors, officers and consultants in accordance with the provisions of its stock option plan. The fair value of the options granted is \$40,648 based on the Black-Scholes option pricing model.

12. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. There have been no changes to the Company's approach to capital management during the year.

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13. SEGMENTED INFORMATION

The Corporation operates in one segment being the development of application technology in one geographic region being Canada.