VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

(Amounts are stated in United States dollars)

malonebailey LLP
CERTIFIED PUBLIC ACCOUNTING FIRM

Independent Auditor's Report

To the Shareholders of
Velocity Data Inc.
(Formerly GTO Resources Inc.)

We have audited the accompanying consolidated financial statements of Velocity Data, Inc. which comprise the consolidated statements of financial position as at October 31, 2014 and 2013 and the consolidated statements of earnings (loss), statements of changes in equity and, statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Velocity Data Inc. as at October 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Velocity Data, Inc.'s ability to continue as a going concern.

MaloneBailey, LLP

Houston, Texas USA
February 9, 2015

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VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in United States dollars)

	October 31 2014 $	October 31 2013 $
Assets		
Current assets		
Cash and cash equivalents	1,026,125	440,528
Accounts receivable	3,475,320	3,802,539
Inventory	122,544	10,929
Prepayments and other current assets	115,094	10,460
Total current assets	4,739,083	4,264,456
Non-current assets		
Property and equipment, net	14,927	16,586
Intangible asset, net	422,284	-
Goodwill	688,052	-
Total assets	5,864,346	4,281,042
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued liabilities	4,180,578	3,393,795
Due to related party	238,681	-
Secured borrowings	2,092,755	-
Total current liabilities	6,512,014	3,393,795
Shareholders' equity (deficit)		
Share capital	(154,996)	910,000
Accumulated deficit	(492,672)	(22,753)
Total shareholders' equity (deficit)	(647,668)	887,247
Total liabilities and shareholders' equity (deficit)	5,864,346	4,281,042

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

Approved and authorized for issue by the Board of Directors on February 12, 2015:

/s/ "Adam Radly"	*/s/ "Robert Bates"*
Adam Radly, Director	Robert Bates, Director

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Amounts in United States dollars)

	For the year ended October 31 2014 $	October 31 2013 $
Revenues, net	41,025,641	34,014,946
Cost of sales	38,659,578	31,866,152
Selling, general and administrative expenses	2,160,415	2,091,020
	40,819,993	33,957,172
Operating earnings (loss)	205,648	57,774
Financial expenses		
Interest, net	(675,567)	(15,855)
Earnings (loss) before income tax	(469,919)	41,919
Income tax expense	-	(13,976)
Net earnings (loss) for the year	(469,919)	27,943
Basic and diluted earnings (loss) per share	(0.01)	0.00
Weighted average shares outstanding	81,252,233	72,000,000

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

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Amounts in United States dollars)

	Share Capital			Total shareholders'
	Number of shares	Amount $	Accumulated deficit	equity $
Balance, October 31, 2012	72,000,000	150,000	802,114	952,114
Capital contributions	-	760,000	-	760,000
Dividends paid			(852,810)	(852,810)
Net income for the year	-	-	27,943	27,943
Balance, October 31, 2013	72,000,000	910,000	(22,753)	887,247
Shares issued due to reverse merger	23,801,907	18,337		18,337
Impact of push down accounting	-	(1,293,318)	-	(1,293,318)
Shares issued due to exercise of warrants	4,200,000	209,985	-	209,985
Net loss for the year	-	-	(469,919)	(469,919)
Balance, October 31, 2014	100,001,907	(154,996)	(492,672)	(647,668)

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

VELOCITY DATA INC.
(FORMERLY GTO RESOURCES INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in United States dollars)

	Year ended	
	October 31 2014 $	October 31 2013 $
Operating activities		
Net earnings (loss) for the year	(469,919)	27,943
Adjustments to reconcile net earnings (loss) to cash flows		
Depreciation	1,659	1,843
Amortization of intangible asset	140,761	-
Changes in working capital items		
Accounts receivable	327,219	(232,178)
Inventory	(111,615)	7,936
Prepaid expenses and other current assets	(104,634)	-
Accounts payable and accrued expenses	1,494,149	(9,673)
Net cash flows from (used in) operating activities	1,277,620	(204,129)
Net cash flows from investing activities	-	-
Financing activities		
Proceeds from secured borrowings, net	259,437	-
Repayment of related party debt	(1,161,445)	-
Capital contributions	-	760,000
Dividends paid	-	(765,000)
Warrants exercised	209,985	-
Net cash used in financing activties	(692,023)	(5,000)
Net Increase (decrease) in cash during the year	585,597	(209,129)
Cash, beginning of year	440,528	649,657
Cash, end of year	1,026,125	440,528
Supplemental cash flow information		
Interest paid during the year	675,766	15,812
Income taxes paid during the year	-	15,267
Supplemental noncash investing and financing activities		
Dividends paid through disposal of property and equipment	-	87,810
Impact of push down accounting	2,544,415	-
Shares issued in the reverse merger	18,337	-

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

1. Nature of Operations and Going Concern

Velocity Data Inc. (the "Company", "we", "our") was incorporated as GTO Resources, Inc. on May 10, 2011 under the Business Corporations Act (British Columbia). The Company changed its name to Velocity Data Inc. on July 24, 2014 and is engaged in the business of selling computer systems and related components, particularly to government contractors and federal government end-users.

The Company's registered office is located at Suite 600 – 1285 West Broadway, Vancouver, BC V6H 3X8.

On May 23, 2014, the Company entered into a share exchange agreement with ACL Computers and Software, Inc. ("ACL") to acquire all of the issued and outstanding common shares of ACL in exchange for 72,000,000 common shares of the Company. As a result of this transaction, ACL became a wholly-owned subsidiary of the Company.

For accounting purposes, this transaction is being accounted for as a reverse merger and has been treated as a recapitalization of the Company, where ACL is considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the registrant. The historical consolidated financial statements include the operations of the accounting acquirer for all periods presented. The Company has reported net losses for the year ended October 31, 2014 of $469,919 and has a cumulative deficit of $492,672 and working capital deficit of $1,772,931 as at October 31, 2014. The ability of the Company to continue as a going concern is dependent upon future profitable operations. When the Company can attain profitability and positive working capital is uncertain. The Company will closely monitor its cash on a regular basis and take the necessary measures to preserve cash such as increase sales and seek additional sources of financing. There is no assurance that these initiatives will be successful. Until the Company can achieve profitable operations, the Company may require additional debt or equity financing and should it not be able to continue as a going concern, adjustments to the recorded amounts and classifications of assets, liabilities, revenues and expenses would be required. Any adjustments that may be required could be material.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

2. Significant Accounting Policies (continued)

(b) Basis of Presentation and Principles of consolidation

The consolidated financial statements have been prepared on a historical cost basis. The c onsolidated financial statements are presented in United States dollars, which is the Company's functional currency.

(c) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include, but are not limited to, receivable allowances, impairment of intangible assets and goodwill, and deferred income tax asset valuation allowances. There are no judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following years.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in fair value to be cash equivalents.

(e) Inventory

Inventory for resale are stated at the lower of cost or market, cost being determined on a first-in, first- out basis.

(f) Property and Equipment, net

Depreciation of property and equipment is provided using the straight-line and accelerated methods over the estimated useful lives ranging from 5 to 15 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

2. Significant Accounting Policies (continued)

(g) Goodwill and Intangible assets

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis or whenever facts or circumstances indicate that the carrying amount may exceed its recoverable amount.

Intangible assets other than goodwill are amortized on a straight-line basis over a period of three years.

(h) Impairment of Non-Financial Assets

Impairment of goodwill
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit ("CGU") level. Goodwill is allocated to CGUs or groups of CGUs for impairment testing purposes based on the level at which management monitors it, which is not higher than an operating segment. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the related business combination in which the goodwill arises.

Impairment of other non-financial assets
Non-financial assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration.

(i) Financial Instruments

i. Non-derivative financial assets
The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial assets at fair value through profit or loss
Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument

Financial assets classified as fair value through profit or loss is stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash and cash equivalents are classified as fair value through profit or loss.

Held-to-maturity investments
Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any available-for-sale financial assets.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of accounts receivable.

Impairment of financial assets
When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment. For all other financial assets objective evidence of impairment could include:

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

a) significant financial difficulty of the issuer or counterparty; or
b) default or delinquency in interest or principal payments; or
c) it becoming probable that the borrower will enter bankruptcy or financial re-organization

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

ii. Non-derivative financial liabilities
The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and secured borrowings.

Financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in net earnings (loss).

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

2. Significant Accounting Policies (continued)

(j) Foreign Currency Translation

The functional and reporting currency is the United States dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

(k) Revenue Recognition

Revenue from product sales is measured at the fair value, net of estimated customer returns and allowances at the time of recognition. The estimates of fair value are based on the Company's historical experience with each customer and the specifics of each arrangement.

Revenue from product sales is recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectibility of the related receivables is reasonably assured. Revenue is recognized when (a) it can be measured reliably; (b) it is probable that the economic benefits associated with the transaction will flow to the Company; and (c) the costs incurred or to be incurred can be measured reliably.

(l) Income Taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant Accounting Policies (continued)

(m) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As October 31, 2014, the Company had 11,925,000 potential dilutive shares outstanding.

(n) Recent Accounting Pronouncements

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after November 1, 2014. Many are not applicable or do not have a significant impact on the Company and so have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(b) In May 2014, the IASB issued IFRS 15 which replaces IAS 18 – Revenues, and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

3. Acquisition and Push Down Accounting

On February 2, 2014, ACL entered into a stock purchase agreement with ACLH, LLC. ("ACLH") wherein the latter acquired a 100% interest in ACL for an initial purchase price of $2,256,181. Of the total purchase price, $2,006,181 was paid in cash and the balance of $250,000 through the issuance of a note by ACLH to the sole shareholder of ACL. The note is subject to annual interest of 6% and payable in equal quarterly installments over a period of 2 years. The note was fully settled during the year through payment of $225,156. The balance of $24,844 was forgiven and was accounted for as a reduction of the purchase price resulting to a final purchase price of $2,231,337.

Under the acquisition method of accounting, the total estimated purchase price paid by ACLH is allocated to ACL's tangible and intangible assets and liabilities based on their estimated fair values at the date of the completion of the acquisition.

(Amounts in United States dollars)

3. Acquisition and Push Down Accounting (continued)

The estimated fair values of the assets acquired and the liabilities assumed by ACLH at February 2, 2014 are as follows:

Purchase price	$	2,231,337
Cash and cash equivalents	$	411,167
Accounts receivable		2,636,591
Inventory		68,938
Prepayments and other current assets		59,722
PPE		16,202
AP and accrued liabilities		(2,212,380)
Net assets	$	980,240
Excess of purchase price over net assets acquired:		1,251,097
Allocated to:		
Customer list		563,045
Goodwill		688,052

The acquisition was accounted for as an acquisition of a business and ACLH elected to push down the purchase price to ACL's financial statements in accordance with the U.S. SEC Staff Accounting Bulletin No. 54, "*Application of Push Down Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase*." Accordingly, the purchase price paid plus related purchase accounting adjustments, have been reflected in the Company's financial statements as of and for the year ended October 31, 2014. This resulted in a new basis of accounting that reflects the estimated fair value of the Company's assets and liabilities. ACLH also pushed down secured borrowings of $1,833,318 to ACL which was charged to share capital.

4. Property and Equipment, net

Property and equipment consist of:

	October 31 2014 $	October 31 2013 $
Furniture and equipment	67,871	67,871
Leasehold improvements	23,562	23,562
	91,433	91,433
Less - accumulated depreciation	(76,506)	(74,847)
	14,927	16,586

Depreciation expense for the year ended October 31, 2014 and 2013 was $1,659 and $1,843, respectively. In 2013, ACL distributed the existing vehicle to the sole shareholder. The net book value of the vehicle amounting to $87,810 was accounted for as a dividend and was recorded as a charged against retained earnings.

(Amounts in United States dollars)

5. Intangible Asset, net

The Company's finite-lived intangible asset pertains to customer list which is amortized using a straight-line method over its estimated useful life of three years. During the year ended October 31, 2014, the Company recognized amortization expense of $140,761 which is included in selling, general and administrative expenses.

6. Secured Borrowings

On January 21, 2014, ACL entered into a financing agreement with a third party for a period of 1 year, wherein the latter shall advance 85% of the net face amount of ACL's trade receivables and retain the remaining 15% to cover for various fees related to the line of credit. These fees include the interest fee and maintenance fee of 1% and 1.28%, respectively, of the net funds advanced. The Company received net proceeds of $259,437 for the period from the acquisition date through October 31, 2014. As of October 31, 2014, amount outstanding from this financing agreement was $2,092,755.

The Company evaluated the financing agreement under IAS 39 and determined that related transactions should be accounted for as secured borrowings; the receivables sold under the financing agreement remain as assets of the Company and the related fees under the agreement is included in interest expense.

7. Related Party Transactions

In connection with the application of push down accounting, ACL recorded a liability to ACLH of $485,941 of which $247,260 was paid during the year ended October 31, 2014. The amount outstanding from this liability as of October 31, 2014 amounted to $238,681. ACLH is an entity controlled by the Company's CEO. ACLH is the holder of the 72,000,000 common shares of the Company's outstanding stock issued pursuant to the share exchange agreement described in Note 1.

8. Share Capital

Authorized: Unlimited number of voting common shares
Unlimited number of preferred shares

During the year ended October 31, 2014, the Company issued 4,200,000 shares from the exercise of warrants for net proceeds of $209,985.

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, November 1, 2013	17,325,000	0.06
Exercised	(4,200,000)	0.05
Expired	(1,200,000)	0.05
Balance, October 31, 2014	11,925,000	0.05

(Amounts in United States dollars)

9. Share Purchase Warrants (continued)

As of October 31, 2014, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise Price $	Expiry date
6,800,000	0.05	November 13, 2014
5,125,000	0.05	January 8, 2015
11,925,000		

10. Income Taxes

The Company uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. Due to the Company's accumulated net loss, there was no provision for income taxes for the years ended October 31, 2014 and 2013. The difference between the income tax expense of zero shown in the consolidated statements of earnings and pre-tax book net loss times the federal statutory rate of 26% is principally due to the change in the valuation allowance.

At October 31, 2014 and 2013, deferred tax assets consisted of the following:

	October 31 2014 $	October 31 2013 $
Net operating loss carryforwards	228,233	106,054
Less: valuation allowance	(228,233)	(106,054)
	-	-

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of deferred assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, management has applied a full valuation allowance against its net deferred tax assets at October 31, 2014 and 2013. The net change in the total valuation allowance from October 31, 2013 to October 31, 2014 was an increase of $122,179

As of October 31, 2014, the Company has federal net operating loss carry-forwards of approximately $877,820, which if not utilized, will expire beginning in 2032.

11. Financial Instruments and Risk Management

(a) Risk management overview

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

(b) Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities and secured borrowings approximate fair value due to the short term nature of those instruments.

(c) Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result create a financial loss for the Company. The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As of October 31, 2014 and 2013, the Company has determined that no allowance for doubtful accounts is required. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statements of earnings (loss), and is net of any recoveries that were provided for in prior years.

Credit risks also exist in cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(e) Market risk

Market risk is the risk that financial instruments fair values and the Company's future cash flows will fluctuate due to changes in market prices. The Company is exposed to currency risk but it does not have any significant foreign exchange rate risk.

12. Customer concentration

Approximately 43% of the Company's revenues in fiscal year 2014 were generated through transactions with one customer who also accounted for 32% of the Company's accounts receivable as of October 31, 2014.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, secured borrowings and equity comprised of issued share capital, and accumulated deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged for the year ended October 31, 2014.

14. Commitments

The Company leases its operating facilities under an operating lease expiring December 31, 2016 with options to renew. Rent expenses for the year ended October 31, 2014 and 2013 both amounted $62,758. Minimum lease payments for the fiscal years ending October 31, 2015, 2016 and 2017 amount to $60,000, $60,000 and $10,000, respectively

15. Subsequent Events

In November 2014, 6,800,000 share purchase warrants were exercised for net proceeds of $322,000.

In February 2015, the Company's board of directors approved the following share-based awards:

a) 2,136,038 options each to the Company's CEO and CFO
b) 5,748,114 shares to a company controlled by one of the directors for consulting/advisor and financing services.