

# **VELOCITY DATA INC.**

**(FORMERLY GTO RESOURCES INC.)**

Condensed Interim Consolidated Financial Statements  
For the nine month periods ended July 31, 2019 and 2018  
Unaudited  
(Expressed in United States dollars)

## **VELOCITY DATA INC. (FORMERLY GTO RESOURCES INC.)**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

August 28, 2019

**VELOCITY DATA INC.**  
**(FORMERLY GTO RESOURCES INC.)**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in United States dollars)**  
**(Unaudited)**

	July 31, 2019 \$	October 31, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,150	7,932
Assets held for sale	3,936	3,936
<b>Total assets</b>	<b>7,086</b>	<b>11,868</b>
<b>Liabilities and shareholders' deficit</b>		
<b>Current liabilities and total liabilities</b>		
Accounts payable and accrued liabilities	27,548	12,002
Loans payable	480,529	482,385
Due to related parties	7,066	7,099
Liabilities held for sale	6,440,396	6,440,396
<b>Current liabilities and total liabilities</b>	<b>6,955,539</b>	<b>6,941,882</b>
<b>Shareholders' deficit</b>		
Share capital	1,194,765	1,194,765
Accumulated other comprehensive income (loss)	(30,339)	(32,284)
Deficit	(8,112,879)	(8,092,495)
<b>Total shareholders' deficit</b>	<b>(6,948,453)</b>	<b>(6,930,014)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>7,086</b>	<b>11,868</b>

Approved and authorized for issue by the Board of Directors on August 28, 2019

/s/ "Zhinan Liu"  
Zhinan Liu, Director

/s/ "Robert Bates"  
Robert Bates, Director

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

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

	For the three months ended, July 31, 2019 \$	For the three months ended, July 31, 2018 \$	For the nine months ended, July 31, 2019 \$	For the nine months ended, July 31, 2018 \$
Revenues	17,406	-	60,313	-
Cost of sales	-	-	-	-
Gross Profit	17,406	-	60,313	-
Expenses				
Selling, general and administrative expenses	20,085	101,650	63,202	152,475
Total expenses	20,085	101,650	63,202	152,475
Loss from operations	(2,679)	(101,650)	(2,889)	(152,475)
Financial expenses				
Foreign currency loss	-	-	-	-
Gain on settlement of debt	-	-	-	-
Interest income (expense), net	(5,748)	(6,816)	(17,342)	(10,223)
Other income (expense), net	(38)	65	(153)	98
Total other income (expense)	(5,786)	(6,751)	(17,495)	(10,126)
Net loss from continuing operations	(8,465)	(108,401)	(20,384)	(162,601)
Net loss from discontinued operations	-	(204,498)	-	(306,747)
<b>Net loss for the period</b>	<b>(8,465)</b>	<b>(312,899)</b>	<b>(20,384)</b>	<b>(469,348)</b>
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	17,993	5,398	1,945	8,096
<b>Comprehensive gain (loss)</b>	<b>1,063</b>	<b>(307,501)</b>	<b>(18,439)</b>	<b>(461,252)</b>
<b>Net loss per share - basic and diluted</b>	<b>0.00</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>16,081,971</b>	<b>11,825,347</b>	<b>16,081,971</b>	<b>10,445,010</b>

(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)**  
**(Expressed in United States dollars)**  
**(Unaudited)**

	<u>Share Capital</u>		Accumulated other comprehensive	Accumulated	Total
	Number of		income (loss)	Deficit	
	shares	\$	\$	\$	\$
<b>Balance October 31, 2017</b>	<b>9,720,140</b>	<b>853,805</b>	<b>(13,131)</b>	<b>(7,472,883)</b>	<b>(6,632,209)</b>
Shares issued for dues to related parties	4,210,414	294,729	-	-	294,729
Foreign exchange translation gain (loss)	-	-	13,367	-	13,367
Net loss for the period	-	-	-	(2,135)	(2,135)
<b>Balance as at July 31, 2018</b>	<b>13,930,554</b>	<b>1,148,534</b>	<b>236</b>	<b>(7,475,018)</b>	<b>(6,326,248)</b>
<b>Balance October 31, 2018</b>	<b>16,445,971</b>	<b>1,194,765</b>	<b>(32,284)</b>	<b>(8,092,495)</b>	<b>(6,930,014)</b>
Foreign exchange translation gain (loss)	-	-	1,945	-	1,945
Net loss for the period	-	-	-	(20,384)	(20,384)
<b>Balance as at July 31, 2019</b>	<b>16,445,971</b>	<b>1,194,765</b>	<b>(30,339)</b>	<b>(8,112,879)</b>	<b>(6,948,453)</b>

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

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

	<b>For the nine months ended, July 31, 2019 \$</b>	<b>For the nine months ended, July 31, 2018 \$</b>
<b>Operating activities</b>		
Net loss from continuing operations	<b>(20,384)</b>	(162,601)
Items not affecting cash:		
Changes in non-cash operating working capital:		
Accounts and other receivables	-	736
Prepaid expenses and other current assets	-	3,915
Accounts payable and accrued expenses	<b>15,547</b>	3,533
Due to related parties	<b>(33)</b>	-
<b>Net cash flows provided by (used in) operating activities</b>	<b>(4,870)</b>	(154,417)
<b>Financing activities</b>		
Proceeds from (payments on) loans payable	<b>(1,856)</b>	159,920
<b>Net cash flows provided by financing activities</b>	<b>(1,856)</b>	159,920
<b>Net cash flows provided by (used in) continuing activities</b>	<b>(6,726)</b>	5,503
<b>Cash flow from discontinued operations</b>		
Net cash provided by (used in) operating activities	-	(181)
<b>Net cash provided by (used in) discontinued operations</b>	-	(181)
Effect of foreign exchange rate	<b>1,945</b>	13,367
<b>Net increase (decrease) in cash during the year</b>	<b>(4,781)</b>	18,689
Cash, beginning of reporting period	<b>7,932</b>	9,221
<b>Cash, end of reporting period</b>	<b>3,150</b>	27,910

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**1. Nature of Operations and Going Concern**

Velocity Data Inc. (the "Company") 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 August 7, 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.

For the nine months ended July 31, 2019, the Company has reported net loss of \$20,384, accumulated deficit of \$8,112,879 and working capital deficit of \$6,948,453. These financial statements have been prepared on a going concern basis, which implies that the Company will continue to meet its obligations and continue its operations for the next fiscal year. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon financial support from its stockholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations.

Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise additional funds through the capital markets. In light of management's efforts, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**2. Significant Accounting Policies**

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

(a) Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including *IAS 34 - Interim Financial Reporting*.

These interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore, should be read in conjunction with the audited consolidated financial statements and notes for the company's year ended October 31, 2018, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

(b) Basis of Presentation and Principles of Consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and presented are in United States dollars. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, ACL Computers and Software, Inc. ("ACL"), which was discontinued on February 28, 2018. Refer to Note 10. All intercompany transactions and balances have been eliminated.

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(c) Use of Estimates and Judgments

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 consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date 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) collectability accounts and other receivables; and
- (ii) unrecognized deferred income tax assets.

Accounts payable and accrued liabilities include amounts that have been the subject of summary judgment decisions in various states in the United States. The Company has assessed potential interest liability of all summary judgment amounts at the maximum allowable interest rate under the respective states for which the Company has summary judgments against them.

The Company's assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(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) Accounts Receivable

Accounts receivable are comprised of amounts due from customers for the sale of computer systems and related components and are recorded net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated from current economic conditions, historical information, and projections of trends. Management closely monitors outstanding balances and writes off all balances that are not expected to be collected by the time the consolidated financial statements are issued.

(f) Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation of leasehold improvement and furniture 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 on the consolidated statement of financial position. Expenditures for maintenance and repairs are charged to the consolidated statement of loss as incurred.



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(g) 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.

(h) Foreign Currency Translation

Foreign currency transactions are accounted for at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate in effect at each period end. Gains and losses arising on settlement of such transactions and from the translation of foreign currency monetary assets and liabilities are recognized in the consolidated statement of loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

These consolidated financial statements are prepared in the United States dollars which is the Company's reporting currency. The functional currency of the Company is the Canadian dollar and the functional currency of ACL is the United States dollar. The exchange differences resulting from the translation of the Company's consolidated financial statements from its functional currency to its reporting currency are included in other comprehensive income (loss).

(i) Stock-Based Compensation

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of

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the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in contributed surplus, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(j) Accounting Standards Implemented

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after November 1, 2018 and have been adopted and evaluated to determine their impact on the Company:

(i) On November 1, 2018, the Company implemented *IFRS 9 - Financial Instruments* ("IFRS 9"). IFRS 9 is the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with the accounting treatment. The Company applied the requirements of the standard retrospectively. IFRS 9 classifications did not result in significant changes in measurement or the carrying amount of financial assets or liabilities.

(ii) On November 1, 2018, the Company implemented *IFRS 15 - Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 introduces a single model for recognizing revenue from contracts and customers. This standard applies to all contracts with customers, with some exceptions. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The Company applied the requirements of the standard retrospectively. The implementation of IFRS 15 did not have a significant impact on the Company's revenue, no adjustment was recorded through retained earnings.

(k) Standards, amendments and interpretations to existing accounting standards that are not yet effective and that have not been adopted early by the Company

*IFRS 16 - Leases* ("IFRS 16") sets out the principles for recognition, measurement, presentation and disclosure of leases. Although the accounting requirements for lessors remains substantially unchanged, a lessee will recognize that a lease results in obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. IFRS 16 eliminates the classification of leases by a lessee as either operating leases or finance leases and, instead, introduces a single accounting model. Management has yet to assess the impact of IFRS 16 on these interim condensed consolidated financial statements and intends to adopt the standard on its effective date. The new standard is effective for annual reporting periods beginning on or after January 1, 2019.

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(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 the consolidated statement of 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 statement of financial position 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 income 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.

(m) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of loss.

(n) 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 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 at July 31, 2019 and 2018, the Company has 356,006 potentially dilutive shares outstanding.

(o) Reclassifications

Certain of the figures presented for comparative purposes have been reclassified to conform to the presentation adopted in the current period.

**3. Segment Information**

The Company operates in Canada for purposes of its incorporation location, and is engaged in the business of selling computer systems and related components in USA.

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**4. Loans Payable**

- (a) As at July 31, 2019, the Company owes \$404,124 (October 31, 2018 - \$405,980) to a non-related company. The amount owed is unsecured and bears interest at prime plus 3% per annum compounded semi-annually, and is due on demand. The amounts are convertible into common shares of the Company subject to a weighted average closing price of the first ten trading days of the Company.
- (b) As at July 31, 2019, the Company owes \$76,405 (October 31, 2018 - \$76,405) to a non-related party which is non-interest bearing, unsecured, and due on demand.

**5. Related Party Transactions**

- (a) During the nine month periods ended July 31, 2019 and 2018, the Company incurred approximately \$7,500 and \$44,000, respectively, in professional and consulting fees to the Chief Financial Officer of the Company and a company controlled by the Chief Financial Officer of the Company, which have been recorded in selling, general, and administrative expenses.
- (b) As at July 31, 2019, the Company owed \$14,591 (October 31, 2018 - \$7,099) to the Chief Financial Officer of the Company and a company associated with the Chief Financial Officer of the Company, which is non-interest bearing, secured against the assets of the Company, and is due on demand.

**6. Share Capital**

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

- (a) On August 8, 2018, the Company issued 4,210,414 common shares with a fair value of \$225,656 to settle accounts payable of \$287,500 owing to the Chief Financial Officer of the Company, resulting in a gain on settlement of debt of \$61,844.
- (b) On August 8, 2018, the Company issued 2,151,417 common shares with a fair value of \$115,304 for services incurred to the Chief Financial Officer of the Company.

Stock Options

Summary of stock option activity for the nine months ended and the year ended July 31, 2019 and October 31, 2018 is as follows:

	Number of options	Weighted average exercise price \$
Outstanding, July 31, 2019 and October 31, 2018	356,006	1.20

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Additional information regarding stock options outstanding as at July 31, 2019 is as follows:

Range of exercise prices \$	Outstanding and Exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
1.20	356,006	0.5	1.20

**7. 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 exposure to risk is 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

Financial assets included in the statement of financial position are as follows:

	Fair Value Measurements Using			Balance as at July 31, 2019 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	3,150	-	-	3,150

The carrying values of other financial instruments, which include accounts, accounts payables and accrued liabilities, and loans payable approximate their fair values due to the short term nature of those 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 minimizes its credit risk associated with its cash balance by dealing with major financial institutions in the United States. Accounts and other receivables are comprised of trade receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

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(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.

## **8. 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 and equity comprised of issued share capital, share-based payment reserve, equity component of convertible debt, and 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 during the nine month periods ended July 31, 2019 and 2018, respectively.

## **9. Contingencies**

- (a) During the year ended October 31, 2015, the Company incurred a significant amount of loss in relation to orders placed by a fictitious customer. The Company has filed suits against various parties to recover these losses. As at July 31, 2019, these lawsuits are still outstanding. Any settlement will be reflected as income to operations in the year occurred. No provision for possible gain has been included in these consolidated financial statements, as the outcome is uncertain and the amount of recovery is not determinable.
- (b) The Company has had various outstanding legal claims from its suppliers to demand payment of the overdue balances and interest recorded in accounts payable and accrued liabilities and loans payable, which includes summary judgments in various jurisdictions.

## **10. Discontinued Operations**

On February 28, 2018, the Company announced its intention to exit its business of selling computer systems and related components and focus on new investments and projects. As such, the financial information for ACL, the Company's wholly-owned subsidiary, has been reclassified as discontinued operations as at and for the periods ended July 31, 2019 and October 31, 2018.

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**(Expressed in United States dollars)**  
**(Unaudited)**

*Statement of Financial Position – Discontinued Operations*

	July 31, 2019 \$	October 31, 2018 \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	20	21
Accounts receivable and other receivables	3,915	3,915
<b>Total assets of discontinued operations</b>	<b>3,935</b>	<b>3,936</b>
<b>Liabilities and shareholders' deficit</b>		
Current liabilities and total liabilities		
Accounts payable and accrued liabilities	6,383,288	6,383,288
Loans payable	42,108	42,108
Due to related parties	15,000	15,000
<b>Total liabilities of discontinued operations</b>	<b>6,440,396</b>	<b>6,440,396</b>

*Statement of Operations – Discontinued Operations*

	For the nine months ended, July 31, 2019 \$	For the year ended October 31, 2018 \$
Revenues	-	150,863
Cost of sales	-	144,599
Gross Profit	-	6,264
<b>Expenses</b>		
Selling, general and administrative expenses	-	213,259
Net loss before other expense	-	(206,995)
<b>Other income (expense)</b>		
Interest expense	-	(204,316)
Other income	-	2,315
<b>Total other income (expense)</b>	<b>-</b>	<b>(202,001)</b>
<b>Net loss from discontinued operations</b>	<b>-</b>	<b>(408,996)</b>