VELOCITY DATA INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

(Expressed in United States dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Velocity Data Inc.

Opinion

We have audited the consolidated financial statements of Velocity Data Inc. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $383,837 and used cash of $98,008 for operating activities during the year ended October 31, 2019 and, as of that date, the Company had a working capital deficit of $7,314,644. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 auditors' report is Henry Chow.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

February 28, 2020

VELOCITY DATA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

ASSETS	Note	**October 31, 2019 $**	October 31, 2018 $
Current assets			
Cash		**1,758**	7,932
Assets held for sale	11	**60**	3,936
Total assets		**1,818**	11,868
Current liabilities			
Accounts payable and accrued liabilities		**5,510**	12,002
Loans payable	4	**598,264**	482,385
Due to related party	5	**16,601**	7,099
Liabilities held for sale	11	**6,696,087**	6,440,396
Total liabilities		**7,316,462**	6,941,882
SHAREHOLDERS' DEFICIT			
Share capital		**969,609**	969,609
Share-based payment reserve		**225,156**	225,156
Accumulated other comprehensive loss		**(33,077)**	(32,284)
Deficit		**(8,476,332)**	(8,092,495)
Total shareholders' deficit		**(7,314,644)**	(6,930,014)
Total liabilities and shareholders' deficit		**1,818**	11,868

Nature of operations and going concern (Note 1)
Contingencies (Note 9)
Subsequent event (Note 12)

Approved and authorized for issuance by the Board of Directors on February 28, 2020:

/s/ "Joe Byrne"
Joe Byrne, Director

/s/ "Robert Bates"
Robert Bates, Director

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

VELOCITY DATA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)

	Note	**For the year ended October 31, 2019 $**	For the year ended October 31, 2018 $
Expenses			
Bad debts		**-**	736
Selling, general, and administrative expenses	5	**91,516**	203,300
Total expenses		**91,516**	204,036
Loss before other income (expense)		**(91,516)**	(204,036)
Other income (expense)			
Gain on settlement of related party debt	6	**-**	61,844
Interest expense		**(32,754)**	(13,631)
Other income		**-**	130
Total other income (expense)		**(32,754)**	48,343
Net loss from continuing operations		**(124,270)**	(155,693)
Net loss from discontinued operations	11	**(259,567)**	(408,996)
Net loss for the year		**(383,837)**	(564,689)
Other comprehensive income (loss)			
Foreign currency translation income (loss)		**(793)**	10,795
Comprehensive loss for the year		**(384,630)**	(553,894)
Net loss per share – basic and diluted		**(0.02)**	(0.05)
Weighted average number of common shares outstanding		**16,081,971**	11,184,233

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

VELOCITY DATA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in United States dollars)

	Share capital		Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total
	Number of shares	$	$	$	$	$
Balance, October 31, 2017	9,720,140	628,649	225,156	(43,079)	(7,527,806)	(6,717,080)
Shares issued for settlement of related party debt	4,210,414	225,656	-	-	-	225,656
Shares issued for services	2,151,417	115,304	-	-	-	115,304
Foreign exchange translation gain	-	-	-	10,795	-	10,795
Net loss for the year	-	-	-	-	(564,689)	(564,689)
Balance, October 31, 2018	16,081,971	969,609	225,156	(32,284)	(8,092,495)	(6,930,014)
Foreign exchange translation loss	-	-	-	(793)	-	(793)
Net loss for the year	-	-	-	-	(383,837)	(383,837)
Balance, October 31, 2019	**16,081,971**	**969,609**	**225,156**	**(33,077)**	**(8,476,332)**	**(7,314,644)**

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

VELOCITY DATA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	For the year ended October 31, 2019 $	For the year ended October 31, 2018 $
Operating activities		
Net loss from continuing operations	**(124,270)**	(155,693)
Items not affecting cash:		
Bad debts	-	736
Gain on settlement of debt	-	(61,844)
Shares issued for services	-	115,304
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	**26,262**	11,102
Net cash used in operating activities	**(98,008)**	(90,395)
Financing activities		
Proceeds from loans payable	**91,698**	76,423
Net cash provided by financing activities	**91,698**	76,423
Net cash used in continuing activities	**(6,310)**	(13,972)
Cash flow from discontinued operations		
Net cash used in operating activities	-	(181)
Net cash used in discontinued operations	-	(181)
Effect of foreign exchange rate changes on cash	**136**	17,086
Net change in cash	**(6,174)**	2,933
Cash - beginning of year	**7,932**	4,999
Cash - end of year	**1,758**	7,932

Non-cash investing and financing activities:		
Shares issued for settlement of related party debt	-	225,656

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

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 as of October 31 2019 was not engaged in a specific business. The Company’s registered office is located at Suite 600 – 1285 West Broadway, Vancouver, BC V6H 3X8.

These consolidated 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. For the year ended October 31, 2019, the Company reported a net loss of $383,837 and used cash of $98,008 for operating activities. As at October 31, 2019, the Company had a working capital deficit of $7,314,644 and an accumulated deficit of $8,476,332. 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 shareholders, 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. These consolidated 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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

(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 discontinued operations on February 28, 2018. Refer to Note 11. All intercompany transactions and balances have been eliminated.

(c) Application of New IFRS

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective November 1, 2018 using the full retrospective method, with no significant impact on the Company's consolidated financial statements.

2. Significant Accounting Policies

(d) 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. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the fair value of share-based payments and 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.

(e) 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.

(f) Impairment of 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.

(g) Financial Instruments

Classification and measurement – initial recognition

On initial recognition, all financial assets and liabilities are classified and recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL").

Classification and measurement – subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on their classification and measurement basis.

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Financial Assets

Subsequent to initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, depending on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the above conditions are classified as fair value through profit or loss. The Company's cash and assets held for sale are measured at amortized cost.

Financial Liabilities

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company's accounts payable and accrued liabilities, loans payable, liabilities held for sale, and amounts due to related parties are measured at amortized cost.

Impairment of Financial Assets

The Company applies the ECL model to its financial assets measured at amortized cost. Under the ECL model, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Upon recognition of a financial asset, 12-month ECLs are recognized in the consolidated statement of operations and a loss allowance is established. At each reporting date, if the credit risk associated with a financial asset has increased significantly and is not considered low, lifetime ECLs are recognized in the consolidated statement of operations.

(h) Reclassifications

Certain financial statement captions have been reclassified to conform to current year financial reporting standards. The impact of the reclassifications did not have a material impact on the Company's consolidated financial statements.

2. Significant Accounting Policies (continued)

(i) 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).

(j) Share-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 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.

(k) 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.

(l) 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 October 31, 2019 and 2018, the Company has 356,006 potentially dilutive shares outstanding.

2. Significant Accounting Policies (continued)

(m) 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.

(n) Future Accounting Pronouncements

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 of finance leases and, instead, introduces a single accounting model. The new standard is effective for annual reporting periods beginning on or after January 1, 2019, and the implementation of IFRS 16 is not expected to have a material impact on the Company’s consolidated financial statements.

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.

4. Loans Payable

(a) As at October 31, 2019, the Company owes $438,614 (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 October 31, 2019, the Company owes $159,650 (2018 - $76,405) to a non-related party which is non-interest bearing, unsecured, and due on demand.

(Expressed in United States dollars)

5. Related Party Transactions

(a) As at October 31, 2019, the Company owed $16,601 (2018 - $7,099) to the Chief Financial Officer (the "CFO") of the Company and a company associated with the CFO, which is non-interest bearing, secured against the assets of the Company, and is due on demand.

(b) During the year ended October 31, 2019, the Company incurred $69,286 (2018 - $156,252) in professional fees to the CFO and a company controlled by the CFO, which have been recorded in selling, general, and administrative expenses.

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 CFO 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 CFO of the Company.

. Stock Options

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

	Number of options	Weighted average exercise price $
Outstanding, October 31, 2017, 2018, and 2019	356,006	1.20

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

	Outstanding and exercisable		
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
1.20	356,006	0.1	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.

7. Financial Instruments and Risk Management (continued)

(b) Fair values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair values of financial instruments, which include cash, assets held for sale, accounts payables and accrued liabilities, amounts due to related parties, liabilities held for sale, and loans payable approximate their fair values 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. The carrying amount of financial assets represents the maximum credit exposure.

(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) Foreign exchange and interest rate risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company has not entered into any derivative contracts or hedged its exposure to foreign currency fluctuations, as it is not exposed to any significant foreign interest rate risk. Interest rate risk is the risk related to fluctuations caused by the changes in interest rates.

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 equity comprised of issued share capital and share-based payment reserve.

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 from the year ended October 31, 2018.

(Expressed in United States dollars)

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 October 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. Income Taxes

The tax effect (computed by applying the Canadian and United States tax rates) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019 $	2018 $
Canadian statutory income tax rate	27%	26.83%
Income tax recovery at statutory rate	(103,636)	(151,525)
Tax effect of:		
Changes in enacted tax rates	–	320,577
Foreign tax rate differences	15,574	24,540
Change in unrecognized deferred income tax assets	88,062	(193,592)
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2019 $	2018 $
Deferred income tax assets		
Non-capital losses carried forward	1,449,998	1,361,936
Resource pools	39,643	39,643
Total gross deferred income tax assets	1,489,641	1,401,579
Unrecognized deferred income tax assets	(1,489,641)	(1,401,579)
Net deferred income tax asset	–	–

As at October 31, 2019, the Company has non-capital losses carried forward of $6,029,279, which are available to offset future years' taxable income. These losses expire as follows:

	$
2032	131,294
2033	260,995
2034	512,857
2035	1,777,155
2036	1,725,022
2037	673,430
2038	564,689
2039	383,837
	6,029,279

(Expressed in United States dollars)

10. Income Taxes (continued)

The Company also had $146,825 of exploration and development costs which are available for deduction against future income for tax purposes.

As at October 31, 2019 and 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

11. 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 years ended October 31, 2019 and 2018.

Statement of Financial Position – Discontinued Operations

	2019 $	2018 $
Cash	60	21
Accounts and other receivables	–	3,915
Total assets of discontinued operations	60	3,936
Accounts payable and accrued liabilities	6,637,681	6,383,288
Loans payable	42,108	42,108
Due to related parties	16,298	15,000
Total liabilities of discontinued operations	6,696,087	6,440,396

Statement of Operations – Discontinued Operations

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Revenue	–	150,863
Cost of goods sold	–	144,599
Gross profit	–	6,264
Expenses		
Selling, general, and administrative expenses	7,747	213,259
Net loss before other expense	(7,747)	(206,995)
Other income (expense)		
Interest expense	(250,695)	(204,316)
Other income (expense)	(1,125)	2,315
Total other income (expense)	(251,820)	(202,001)
Net loss from discontinued operations	(259,567)	(408,996)

12. Subsequent Event

In November 2019, the Company issued 75,000 common shares to a company associated with the CFO for services.