

VELOCITY DATA INC.

Condensed Interim Consolidated Financial Statements
For the three month periods ended January 31, 2020 and 2019
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.

March 30, 2020

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

| | January 31, 2020 \$ | October 31, 2019 \$ |
|--|---------------------------|---------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 4,338 | 1,758 |
| Assets held for sale | 60 | 60 |
| Total assets | 4,398 | 1,818 |
| Liabilities and shareholders' deficit | | |
| Current liabilities and total liabilities | | |
| Accounts payable and accrued liabilities | 34,996 | 5,510 |
| Loans payable | 596,372 | 598,264 |
| Due to related parties | 19,134 | 16,601 |
| Liabilities held for sale | 6,696,087 | 6,696,087 |
| Current liabilities and total liabilities | 7,346,589 | 7,316,462 |
| Shareholders' deficit | | |
| Share capital | 969,666 | 969,609 |
| Share-based payment reserve | 225,156 | 225,156 |
| Accumulated other comprehensive income (loss) | (31,086) | (33,077) |
| Deficit | (8,505,927) | (8,476,332) |
| Total shareholders' deficit | (7,342,191) | (7,314,644) |
| Total liabilities and shareholders' deficit | 4,398 | 1,818 |

Approved and authorized for issue by the Board of Directors on March 30, 2020

/s/ "Joe Byrne"
Joe Byrne, Director

/s/ "Robert Bates"
Robert Bates, CFO

(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)

| | For the quarter ended, January 31, 2020 \$ | For the quarter ended, January 31, 2019 \$ |
|---|--|--|
| Expenses | | |
| Selling, general and administrative expenses | 22,007 | 16,801 |
| Total expenses | 22,007 | 16,801 |
| Loss from operations | (22,007) | (16,801) |
| Financial expenses | | |
| Gain on settlement of debt | - | - |
| Interest expense | (7,588) | (5,549) |
| Other income (expense), net | - | (47) |
| Total other income (expense) | (7,588) | (5,596) |
| Net loss from continuing operations | (29,595) | (22,397) |
| Net loss from discontinued operations | - | 21,131 |
| Net loss for the period | (29,595) | (1,266) |
| Other comprehensive income (loss) | | |
| Foreign currency translation income (loss) | 1,991 | (393) |
| Comprehensive gain (loss) | (27,604) | (1,659) |
| Net loss per share - basic and diluted | (0.00) | (0.00) |
| Weighted average number of common shares outstanding | 16,081,971 | 16,081,971 |

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

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

| | <u>Share Capital</u> | | <u>Share-based payment reserve</u> | <u>Accumulated other comprehensive income (loss)</u> | <u>Deficit</u> | <u>Total</u> |
|---|-----------------------------|----------------|--|--|--------------------|--------------------|
| | <u>Number of shares</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Balance as at October 31, 2018 | 16,081,971 | 969,609 | 225,156 | (32,284) | (8,092,495) | (6,930,014) |
| Foreign exchange translation gain (loss) | - | - | - | (393) | - | (393) |
| Net loss for the period | - | - | - | - | (1,266) | (1,266) |
| Balance as at January 31, 2019 | 16,081,971 | 969,609 | 225,156 | (32,677) | (8,093,761) | (6,931,673) |
| Balance as at October 31, 2019 | 16,081,971 | 969,609 | 225,156 | (33,077) | (8,476,332) | (7,314,644) |
| Shares issued for settlement of related party | 75,000 | 57 | - | - | - | 57 |
| Foreign exchange translation gain (loss) | - | - | - | 23,165 | - | 23,165 |
| Net loss for the period | - | - | - | - | (29,595) | (29,595) |
| Balance as at January 31, 2020 | 16,156,971 | 969,666 | 225,156 | (9,912) | (8,505,927) | (7,321,017) |

(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 quarter ended, January 31, 2019 \$ | For the quarter ended, January 31, 2018 \$ |
|---|--|--|
| Operating activities | | |
| Net loss from continuing operations | (29,595) | (1,266) |
| Items not affecting cash: | | |
| Shares issued for services | 57 | - |
| Changes in non-cash operating working capital: | | |
| Accounts payable and accrued expenses | 29,487 | 5,188 |
| Due to related parties | 2,533 | (7) |
| Net cash flows provided by (used in) operating activities | 2,482 | 3,915 |
| Financing activities | | |
| Proceeds from (payments on) loans payable | (1,892) | 431 |
| Net cash flows provided by financing activities | (1,892) | 431 |
| Net cash flows provided by (used in) continuing activities | 590 | 4,346 |
| Cash flow from discontinued operations | | |
| Net cash provided by (used in) operating activities | - | - |
| Net cash provided by (used in) discontinued operations | - | - |
| Effect of foreign exchange rate | 1,991 | (393) |
| Net increase (decrease) in cash during the year | 2,581 | 3,953 |
| Cash, beginning of reporting period | 1,758 | 7,932 |
| Cash, end of reporting period | 4,338 | 11,885 |

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

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

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 January 31, 2020 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 period. For the three months ended January 31, 2020, the Company has reported net loss of \$29,595, deficit of \$8,505,927 and working capital deficit of \$7,342,191. 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**

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 was discontinued on February 28, 2018. Refer to Note 10. All intercompany transactions and balances have been eliminated.

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

(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.

(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) 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.

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

(g) 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.

(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.

(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

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

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.

(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

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

eliminates the classification of leases by a lessee as either operating leases of 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.

(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 January 31, 2020 and 2019, the Company has 356,006 potentially dilutive shares outstanding.

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.

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

4. Loans Payable

- (a) As at January 31, 2020, the Company owes \$436,722 (October 31, 2019 - \$438,614) 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 January 31, 2020, the Company owes \$159,650 (October 31, 2019 - \$159,650) to a non-related party which is non-interest bearing, unsecured, and due on demand.

5. Related Party Transactions

- (a) During the three months ended January 31, 2020 and 2019, the Company incurred approximately \$Nil and \$15,000, respectively, in professional and consulting fees to the Chief Financial Officer (the "CFO") of the Company and a company associated with the CFO, which have been recorded in selling, general, and administrative expenses.
- (b) As at January 31, 2020, the Company owed \$19,134 (October 31, 2019 - \$16,601) to the CFO and a company associated with the CFO, 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) In November 2019, the Company issued 75,000 common shares with a fair value of \$57 to a company associated with the CFO for services.
- (b) 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, resulting in a gain on settlement of debt of \$61,844.
- (c) 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.

Stock Options

As of January 31, 2020 and 2019, the Company has 356,006 outstanding stock options to certain officers and directors, exercisable at a price of \$1.20 per share until December 15, 2019, and have since expired. There were no stock options issuances, exercises, or cancellations during the three months ended January 31, 2020 and 2019, nor have there been any additional stock options transactions as of March 30, 2020.

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

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

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. Accounts and other receivables are comprised of trade receivables from customers. 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

VELOCITY DATA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended January 31, 2020 and 2019

(Expressed in United States dollars)

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 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 three months ended January 31, 2020 and 2019, 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 January 31, 2020, 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 three months ended January 31, 2020 and for the year ended October 31, 2019.

VELOCITY DATA INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the three month periods ended January 31, 2020 and 2019****(Expressed in United States dollars)***Statement of Financial Position – Discontinued Operations*

| | January 31, 2020 \$ | October 31, 2019 \$ |
|---|---------------------------|---------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 60 | 60 |
| Accounts receivable and other receivables | - | - |
| Total assets of discontinued operations | 60 | 60 |
| Liabilities and shareholders' deficit | | |
| Current liabilities and total liabilities | | |
| Accounts payable and accrued liabilities | 6,637,681 | 6,637,681 |
| Loans payable | 42,108 | 42,108 |
| Due to related parties | 16,298 | 16,298 |
| Total liabilities of discontinued operations | 6,696,087 | 6,696,087 |

Statement of Operations – Discontinued Operations

| | For the three months ended January 31, 2020 \$ | For the year ended October 31, 2019 \$ |
|--|--|---|
| Revenues | - | - |
| Cost of sales | - | - |
| Gross Profit | - | - |
| Expenses | | |
| Selling, general and administrative expenses | - | 7,747 |
| Net loss before other expense | - | (7,747) |
| Other income (expense) | | |
| Interest expense | - | (250,695) |
| Other income | - | (1,125) |
| Total other income (expense) | - | (251,820) |
| Net loss from discontinued operations | - | (259,567) |