

EMERGENCE GLOBAL ENTERPRISES INC.

(FORMERLY VELOCITY DATA INC.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019

(Expressed in United States dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Emergence Global Enterprises Inc. (formerly Velocity Data Inc.)

Opinion

We have audited the consolidated financial statements of Emergence Global Enterprises. (formerly Velocity Data Inc.) (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, 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, 2020 and 2019, 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 had no revenues and used cash of \$57,487 for operating activities during the year ended October 31, 2020 and, as of that date, the Company had a working capital deficit of \$939,762 and accumulated deficit of \$2,121,571. 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.

Other Information

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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Chartered Professional Accountants LLP

Vancouver, Canada

March 1, 2021

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

ASSETS	Note	October 31, 2020 \$	October 31, 2019 \$
Current assets			
Cash		3,345	1,758
Amounts receivable	10	10	-
Assets held for sale	10	-	60
Total assets		3,355	1,818
Current liabilities			
Accounts payable and accrued liabilities		237,449	5,510
Loans payable	4	627,375	598,264
Due to related party	5	78,293	16,601
Liabilities held for sale	10	-	6,696,087
Total liabilities		943,117	7,316,462
SHAREHOLDERS' DEFICIT			
Share capital		985,994	969,609
Share-based payment reserve		225,156	225,156
Accumulated other comprehensive loss		(29,341)	(33,077)
Deficit		(2,121,571)	(8,476,332)
Total shareholders' deficit		(939,762)	(7,314,644)
Total liabilities and shareholders' deficit		3,355	1,818

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance by the Board of Directors on March 1, 2021:

/s/ "Joe Byrne"
Joe Byrne, Director

/s/ "Robert Bates"
Robert Bates, Director

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

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

	Note	For the year ended October 31, 2020 \$	For the year ended October 31, 2019 \$
Expenses			
Selling, general, and administrative expenses	5	303,726	91,516
Total expenses		303,726	91,516
Loss before other income (expense)		(303,726)	(91,516)
Other income (expense)			
Gain on sale of ACL	10	6,917,007	-
Interest expense		(37,550)	(32,754)
Total other income (expense)		6,879,457	(32,754)
Net income (loss) from continuing operations		6,575,731	(124,270)
Net loss from discontinued operations	10	(220,970)	(259,567)
Net income (loss) for the year		6,354,761	(383,837)
Other comprehensive income (loss)			
Foreign currency translation income (loss)		3,736	(793)
Comprehensive income (loss) for the year		6,358,497	(384,630)
Net income (loss) per share – basic and diluted		0.39	(0.02)
Weighted average number of common shares outstanding		16,146,521	16,081,971

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

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

	<u>Share capital</u>		Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total
	Number of shares	\$	\$	\$	\$	\$
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)
Shares issued for settlement of related party debt	75,000	16,385	-	-	-	16,385
Foreign exchange translation gain	-	-	-	3,736	-	3,736
Net income for the year	-	-	-	-	6,354,761	6,354,761
Balance, October 31, 2020	16,156,971	985,994	225,156	(29,341)	(2,121,571)	(939,762)

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

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

	For the year ended October 31, 2020 \$	For the year ended October 31, 2019 \$
Operating activities		
Net income (loss)	6,575,731	(124,270)
Items not affecting cash:		
Gain on sale of ACL	(6,917,007)	-
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	268,253	26,262
Due to related parties	15,536	-
Net cash used in operating activities	(57,487)	(98,008)
Financing activities		
Proceeds from loans payable	65,501	91,698
Net cash provided by financing activities	65,501	91,698
Net cash flows provided by (used in) continuing operations	8,014	(6,310)
Effect of foreign exchange rate changes on cash	(6,427)	136
Net change in cash	1,587	(6,174)
Cash - beginning of year	1,758	7,932
Cash - end of year	3,345	1,758
Non-cash investing and financing activities:		
Accrued interest on loans payable	37,550	32,754
Shares issued for settlement of related party debt	16,385	-

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

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

1. Nature of Operations and Going Concern

Emergence Global Enterprises 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. On February 15, 2020, the Company changed its name from “Velocity Data Inc” to “Emergence Global Enterprises Inc.” During the year ended October 31, 2020, the Company sold its interest in ACL Computers and Software Inc, (“ACL”) and the Company currently has no active business. The Company’s registered office is located at Suite 600 – 1285 West Broadway, Vancouver, BC V6H 3X8.

Acquisition of NuBreed

On July 27, 2020, the Company and NuBreed Nutrition Inc. (“NuBreed”) entered into an agreement whereby the Company acquired all of the issued and outstanding common shares of NuBreed in exchange for the issuance of 1,000,000 common shares of the Company. The agreement is subject to, amongst other things, regulatory, board, and other approvals with 1,000,000 common shares of the Company issuable upon approval. The Company issued 1,000,000 common shares to shareholders of NuBreed on January 15, 2021.

The outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. The impact on the Company has not been significant, but management continues to monitor the situation.

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, 2020, the Company had no revenues and used cash of \$57,487 for operating activities. As at October 31, 2020, the Company had a working capital deficit of \$939,762 and an accumulated deficit of \$2,121,571. 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.

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

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, which was classified as discontinued operations on February 28, 2018 and was sold for proceeds of \$10 on July 31, 2020. Refer to Note 10. All intercompany transactions and balances have been eliminated.

(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. 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.

(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.

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

2. Significant Accounting Policies (continued)

(e) 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.

(f) 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.

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.

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

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.

(g) 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.

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.

(h) 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 operations.

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

2. Significant Accounting Policies (continued)

(i) 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, 2020, the Company has nil (2019 - 356,006) potentially dilutive shares outstanding.

(j) 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.

(k) Future Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2020, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

3. Segment Information

As at and for the years ended October 31, 2020 and 2019, all assets and operations of the Company were located in Canada.

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

4. Loans Payable

- (a) As at October 31, 2020, the Company owed \$469,810 (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 October 31, 2020, the Company owed \$157,565 (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 year ended October 31, 2020, the Company incurred \$4,157 (2019 - \$69,286) 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 October 31, 2020, the Company owed \$nil (2019 - \$16,601) to 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.
- (c) As at October 31, 2020, the Company owed \$78,293 (2019 - \$nil) to the Chief Executive Officer (the "CEO") and a company controlled by the CEO, which is non-interest bearing, non-secured, and is due on demand.

6. Share Capital

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

On November 20, 2019, the Company issued 75,000 common shares with a fair value of \$16,385 to a company associated with the CFO of the Company to settle debt.

7. Stock Options

Summary of stock option activity for the years ended October 31, 2020 and 2019 is as follows:

	Number of options	Weighted average exercise price \$
Outstanding, October 31, 2018 and 2019	356,006	1.20
Expired	(356,006)	1.20
Outstanding, October 31, 2020	-	-

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

8. 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 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) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has an outstanding loan payable which is linked to the Bank of Canada prime rate. The impact of a 1% change in the Bank of Canada prime rate would not be significant to the Company's consolidated financial statements.

(e) 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.

(f) Foreign exchange 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 exchange rate risk.

EMERGENCE GLOBAL ENTERPRISES INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

9. 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, 2019.

10. Discontinued Operations and Sale of ACL

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. Since February 28, 2018, the financial information of ACL has been classified as discontinued operations. On July 31, 2020, the Company entered into an agreement with ACLH Inc. to sell the issued and outstanding shares of ACL for \$10. ACLH Inc. will assume all of the assets, debt, and obligations the Company may have in connection with ACL and the indemnification of the Company for any future liability associated with ACL. The transaction resulted in a gain on the sale of ACL of \$6,917,007.

Accounts payable and accrued liabilities	6,917,017
Disposal of liabilities on sale of ACL	6,917,017
Proceeds receivable on sale of ACL	(10)
Gain on sale of ACL	6,917,007

Statement of Operations – Discontinued Operations

	Year ended October 31, 2020 \$	Year ended October 31, 2019 \$
Expenses		
Selling, general, and administrative expenses	60	7,747
Net loss before other expense	(60)	(7,747)
Other income (expense)		
Interest expense	(220,910)	(250,695)
Other expense	-	(1,125)
Total other income (expense)	(220,910)	(251,820)
Net loss from discontinued operations	(220,970)	(259,567)

EMERGENCE GLOBAL ENTERPRISES INC.

(formerly VELOCITY DATA INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

11. 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:

	2020	2019
	\$	\$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	1,715,786	(103,636)
Tax effect of:		
Foreign tax rate differences	13,259	15,574
Permanent differences	(1,867,595)	—
Expiry of losses	669,081	—
Change in unrecognized deferred income tax assets	(530,531)	88,062
Income tax provision	—	—

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

	2020	2019
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	919,467	1,449,998
Resource pools	39,643	39,643
Total gross deferred income tax assets	959,110	1,489,641
Unrecognized deferred income tax assets	(959,110)	(1,489,641)
Net deferred income tax asset	—	—

As at October 31, 2020, the Company has non-capital losses carried forward of \$3,405,433, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2032	131,294
2033	260,995
2034	387,023
2035	1,014,078
2036	969,500
2037	21,307
2038	155,693
2039	124,270
2040	341,273
	3,405,433

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended October 31, 2020 and 2019

(Expressed in United States dollars)

12. Subsequent Events

- (a) On December 21, 2020 the Company entered into an unsecured, non-interest-bearing loan agreement for a principal balance of \$17,900 due on December 21, 2021.
- (b) The Company entered into a promissory note with the CEO of the Company for proceeds of \$251,434. The amount owing is unsecured, bears interest at prime rate plus 3% on a quarterly basis, and is due on December 31, 2023.
- (c) On January 15, 2021, the Company issued 1,000,000 common shares to the shareholders of Nubreed as part of the acquisition agreement. Refer to Note 1.