



GlobeX Data®
Swiss Secure Cloud and Communications

GLOBEX DATA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GlobeX Data Ltd.

Opinion

We have audited the consolidated financial statements of GlobeX Data Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' 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 December 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 ("IFRS").

Basis for Opinion

We conducted our audit 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 consolidated 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 \$1,123,590 during the year ended December 31, 2019 and had an accumulated deficit of \$2,753,572 as at December 31, 2019. 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.

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

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 consolidated 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 auditor's report is Andrew Lee.

Vancouver, Canada

April 24, 2020

"Morgan & Company LLP"

Chartered Professional Accountants

GLOBEX DATA LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
REVENUE	\$ 31,615	\$ 24,735
EXPENSES		
Accounting and audit (Note 6)	65,410	75,725
Bad debt expense	2,768	-
Consulting fees (Note 6)	129,200	137,211
Legal	26,526	8,330
Marketing	62,815	19,029
Office and administration	51,334	20,611
Professional fees	-	350
Rent	30,609	29,994
Royalty (Note 4)	2,467	2,473
Share-based payments (Note 5, 6)	238,092	206,818
Software maintenance (Note 6)	448,226	750,037
Transfer agent and filing fees	60,422	19,843
Travel	44,544	42,900
	(1,162,413)	(1,313,321)
OTHER ITEMS		
Interest income	7,899	5,595
Loss on foreign exchange	(691)	(3,501)
	7,208	2,094
Net loss and comprehensive loss for the year	\$ (1,123,590)	\$ (1,286,492)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	48,951,678	37,053,482

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

GLOBEX DATA LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Shares Subscribed	Reserves	Deficit	Shareholders' Equity
Balance, December 31, 2017	11,400,975	\$ 703,329	\$ -	\$ -	\$ (343,490)	\$ 359,839
Shares issued for cash	8,546,007	946,351	-	-	-	946,351
Share issue costs	-	(14,150)	-	-	-	(14,150)
Shares issued for purchase agreement	25,000,000	2,500,000	-	-	-	2,500,000
Shares issued for settlement of debt	309,700	30,970	-	-	-	30,970
Shares subscribed	-	-	87,280	-	-	87,280
Share-based payments	-	-	-	206,818	-	206,818
Net loss for the year	-	-	-	-	(1,286,492)	(1,286,492)
Balance, December 31, 2018	45,256,682	4,166,500	87,280	206,818	(1,629,982)	2,830,616
Shares issued for cash	7,163,600	1,790,900	(87,280)	-	-	1,703,620
Share issue costs	-	(374,163)	-	89,303	-	(284,860)
Shares subscribed	-	-	157,000	-	-	157,000
Share-based payments	-	-	-	238,092	-	238,092
Net loss for the year	-	-	-	-	(1,123,590)	(1,123,590)
Balance, December 31, 2019	52,420,282	\$ 5,583,237	\$ 157,000	\$ 534,213	\$ (2,753,572)	\$ 3,520,878

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

GLOBEX DATA LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	\$ (1,123,590)	\$ (1,286,492)
Items not affecting cash:		
Share-based payments	238,092	206,818
Bad debt expense	2,768	-
Changes in non-cash working capital items:		
Receivables	(4,146)	848
Prepaid expenses	(89,326)	(844)
Accounts payable and accrued liabilities	(21,451)	70,679
Due to related party	(28,360)	29,006
Royalty payable	780	4,372
Cash used in operating activities	<u>(1,025,233)</u>	<u>(975,613)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Cash acquired upon acquisition of GlobeX Data, Inc.	-	2,623
Cash provided by investing activity	<u>-</u>	<u>2,623</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	1,703,620	946,351
Share issue costs	(197,216)	(14,150)
Shares subscribed	157,000	87,280
Deferred financing costs	-	(73,952)
Cash provided by financing activities	<u>1,663,404</u>	<u>945,529</u>
Change in cash during the year	638,171	(27,461)
Cash, beginning of year	327,182	354,643
Cash, end of year	\$ 965,353	\$ 327,182
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Supplemental cash flow information:		
Cash received for interest	\$ 7,899	\$ 5,595
Fair value of agent's warrants	\$ 89,303	\$ -
Shares issued for purchase agreement	\$ -	\$ 2,500,000
Shares issued for settlement of debt	\$ -	\$ 30,970
Deferred financing costs included in accounts payable and accrued liabilities	\$ -	\$ 11,432

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

GLOBEX DATA LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

a) Nature of operations

GlobeX Data Ltd. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on March 1, 2017. The Company has been engaged in the business of a marketing and distributor of a full suite of cloud-based storage, document management, and secure communication tools. The Company acquired GlobeX Data, Inc. and during the year ended December 31, 2019 completed its initial public offering (“IPO”). The Company’s common shares and tradeable warrants were listed on the Canadian Securities Exchange (“CSE”) effective July 22, 2019 under the symbols “SWIS” and “SWIS.WT”, respectively. On November 5, 2019, the Company’s common shares began trading on the OTCQB Venture Market with the trading symbol SWISF.

The Company’s head office and principal address is located at First Canadian Place, 100 King Street West, Suite 5600, Toronto, ON, Canada, M5X 1C9 and the registered and records office is located at 595 Howe Street, Suite 704, Vancouver, BC, Canada, V6C 2T5.

b) Going concern

The Company incurred a net loss of \$1,123,590 (2018 - \$1,286,492) during the year ended December 31, 2019. As at December 31, 2019 the Company had a working capital surplus of \$968,305 (2018 - \$278,043) and an accumulated deficit of \$2,753,572 (2018 - \$1,629,982). The operating and cash flow results raise uncertainty about the ability of the Company to continue as a going concern.

The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs and the future availability of equity or debt financing. The above facts indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements have been prepared on the basis the Company will operate as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

These consolidated financial statements were authorized for issue by the Board of Directors on April 24, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance to International Financial Reporting Standards

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

Basis of presentation

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Cash

Cash includes cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at December 31, 2019 and 2018, the Company had no cash equivalents.

Business combination

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed, and any non-controlling interest are recognized and measured at their fair value at the date of acquisition. Any excess of the purchase price plus any non-controlling interest over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price over the fair value of the net assets acquired is credited to net income as a gain on bargain purchase. Transaction costs associated with a business combination are expensed as incurred.

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition disclosed in Note 3 met the criteria for accounting as a business combination rather than a reverse acquisition. It has been determined that the Company's Director and CEO controlled the Company prior to the acquisition of GDI under IFRS 3 and IFRS 10.7, of which he has met all of the following criteria: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's share capital. All significant intercompany transactions and balances have been eliminated.

GLOBEX DATA LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Basis of Consolidation (cont'd...)**

The consolidated financial statements include the financial statements of the Company and its significant subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
GlobeX Data, Inc.	USA	100%	Secure Data Management and Communications

Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Revenues and expenses are translated at the average rates in effect during applicable accounting periods, except amortization which is translated at historical rates.

The functional currency of the foreign subsidiaries is the currency of the primary economic environment in which the entity operates.

Translation of all assets and liabilities from the subsidiary's functional currency to the presentation currency are performed using the rate prevailing at the statement of financial position date. Income and expenses are translated at average exchange rates. The difference arising from translation from the functional currency to the presentation currency are recorded as currency translation adjustments in other comprehensive income and are held within accumulated other comprehensive income until a disposal or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to a realized foreign exchange (gain) loss which is recorded in net loss.

Revenue recognition

The Company earns revenue from providing secure cloud services comprising secure cloud document management and secure communication services within the USA and Canada. Revenue is measured at the fair value of the consideration received, net of discounts and sales taxes. Revenue is recognised as services are provided to customers, providing evidence that an arrangement exists, collection is assured, and revenues and costs are measurable. Where the Company receives payment in advance of the revenue recognition criteria, such amounts are recorded as deferred revenue on the statement of financial position.

GLOBEX DATA LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, and consultants.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred financing costs. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

Financial instruments

The Company adopted IFRS 9 in its consolidated financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below:

Financial Instrument	Original classification – IAS 39	New classification – IFRS 9
Cash	Fair value through profit or loss	Fair value through profit or loss
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial assets

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

GLOBEX DATA LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Financial instruments (cont'd...)**

Amortized cost - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

Fair value through other comprehensive income ("FVOCI") - FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

Fair value through profit or loss ("FVTPL") - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of comprehensive loss for the year.

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

Amortized cost - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

GLOBEX DATA LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**New Accounting Standards Adopted during the year**

The Company has adopted IFRS 16 Leases (“IFRS 16”) which is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 did not have an impact on the Company’s consolidated financial statements.

3. BUSINESS COMBINATION

On March 30, 2018, the Company acquired all of the issued and outstanding shares of GlobeX Data, Inc. (“GDI”). GDI is the exclusive distributor for all of Swiss based GlobeX Data S.A.’s cloud services in the United States of America and Canada.

The acquisition of GDI has been accounted for as a business combination. The acquisition method has been used to account for this transaction, whereby the assets acquired and liabilities assumed are recorded at fair value. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Consideration	
Value of 25,000,000 common shares issued	\$ 2,500,000
Total consideration value:	\$ 2,500,000
Assets acquired and liabilities assumed	
Cash	\$ 2,623
Intangible asset – License (Note 4)	2,552,573
Accounts payable and accrued liabilities	(23,871)
Royalty payable (Note 4)	(31,325)
Net assets acquired:	\$ 2,500,000

Acquisition related costs have been excluded from the consideration transferred and have been recognized as an expense in the year ended December 31, 2018.

The transaction was considered to be non-arm’s length by virtue of the fact that a director of the Company is also a director of GDI.

GLOBEX DATA LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

4. ROYALTY PAYABLE

The intangible asset is represented by a license agreement that GlobeX Data, Inc. holds with GlobeX Data S.A., a company with a common director, whereby a royalty of 10% of all contractual sales arising in the licensed territories from its secure cloud document management and secure communication services would be payable. The agreement is in perpetuity.

During the year ended December 31, 2019, the Company accrued royalty expenses amounting to \$2,467 (2018 - \$2,473).

As at December 31, 2019, \$36,477 (2018 - \$35,697) were payable to GlobeX Data S.A. pursuant to the agreement.

5. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and preferred shares. No preferred shares have been issued.

During the year ended December 31, 2019, the Company:

- a) Issued 1,471,600 common shares in a private placement at a price of \$0.25 per share for proceeds of \$367,900 (of which \$87,280 was received during the year ended December 31, 2018). 120,000 common shares were issued to an officer of the Company.
- b) Completed its IPO of 5,692,000 units at a price of \$0.25 per unit ("Unit") for gross proceeds of \$1,423,000. Each Unit is comprised of one common share and one tradeable warrant ("Warrant"). Each tradeable Warrant entitles the holder to purchase one additional common share at an exercise price of \$0.75 for three years from the date of closing of the IPO ("Closing"). The Company issued agent's warrants to purchase a total of 455,360 common shares at a fair value of \$89,303 exercisable at \$0.25 for three years from Closing. The Company incurred \$295,860 of share issue costs in relation to the IPO (December 31, 2018 – deferred financing costs of \$87,644).
- c) Received \$157,000 of share subscriptions towards a future share issuance (Note 10).

During the year ended December 31, 2018, the Company:

- a) Issued 6,711,007 common shares in a private placement at a price of \$0.10 per share for proceeds of \$671,101. 100,000 common shares were issued to an officer of the Company.
- b) Issued 1,835,000 common shares in a private placement at a price of \$0.15 per share for proceeds of \$275,250. The Company paid share issue costs of \$14,150 related to the share issuance.
- c) Issued 309,700 common shares for settlement of debt. The fair value of the common shares was \$30,970. 240,000 common shares were issued to a company controlled by a director to settle consulting fees of \$24,000.
- d) Issued 25,000,000 common shares to a director to acquire all the issued and outstanding common shares of GlobeX Data, Inc. at a deemed price of \$0.10 per share for a fair value of \$2,500,000.
- e) Received \$87,280 of share subscriptions towards a future share issuance.

Escrow Shares

Following the closing of the IPO, the Company had an aggregate of 31,960,001 common shares held in escrow pursuant to the escrow agreement dated May 8, 2019. The shares are subject to a 10% release on the Listing Date (July 22, 2019), with the remaining escrowed securities being released in 15% tranches every 6 months thereafter. As at December 31, 2019, there were 28,764,001 shares remaining in escrow.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (cont'd...)Stock Options

The Company adopted a stock option plan on April 30, 2018. The stock option plan provides that, subject to the requirements of the CSE, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. The exercise price of option grants will be determined by the Board of Directors, but after listing on the CSE, will not be less than the closing market price of the common shares on the CSE less allowable discounts at the time of grant. All options granted under the stock option plan will expire not later than the date that is ten years from the date that such options are granted.

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2017	-	\$ -
Granted	1,600,000	0.25
Outstanding at December 31, 2018	1,600,000	0.25
Granted	1,810,000	0.20
Outstanding and exercisable, December 31, 2019	3,410,000	\$ 0.22

The weighted average remaining contractual life of the options at December 31, 2019 is 4.10 years (2018 – 4.33 years).

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

Exercise price	Number of options	Expiry Date
\$ 0.25	1,600,000	April 30, 2023
\$ 0.20	1,760,000	October 10, 2024
\$ 0.20	50,000	October 15, 2024
	3,410,000	

During the year ended December 31, 2019, the Company granted 1,810,000 (2018 - 1,600,000) stock options with a fair market value of \$238,092 (2018 - \$206,818) or \$0.13 (2018 - \$0.13) per option which was charged to operations. The following weighted average assumptions were used for the Black-Scholes valuation of the stock options assuming no expected dividends or forfeitures:

	2019	2018
Exercise price	\$ 0.20	\$ 0.15
Risk-free interest rate	1.40%	2.11%
Expected life (in years)	5	5
Expected volatility	81%	142%

For the years ended December 31, 2019 and 2018, the expected volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility.

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5. SHARE CAPITAL (cont'd...)Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding at inception and December 31, 2017 and 2018	-	\$ -
Granted	6,147,360	0.71
Outstanding, December 31, 2019	6,147,360	\$ 0.71

The weighted average remaining contractual life of the warrants at December 31, 2019 is 2.56 years (2018 – Nil years).

Additional information regarding warrants outstanding as at December 31, 2019 is as follows:

Exercise price	Number of warrants	Expiry Date
\$ 0.75	5,692,000	July 22, 2022
\$ 0.25	455,360	July 22, 2022*
	6,147,360	

*Agent's warrants

During the year ended December 31, 2019, the Company granted 455,360 agent's warrants with a fair market value of \$89,303 or \$0.20 per warrant which was charged to share issue costs. The following weighted average assumptions were used for the Black-Scholes valuation of the warrants assuming no expected dividends or forfeitures:

	2019	2018
Stock price	\$ 0.25	-
Risk-free interest rate	1.43%	-
Expected life (in years)	3	-
Expected volatility	142%	-

Expected volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility.

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6. RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the year ended December 31, 2019, the Company incurred \$9,000 (2018 - \$36,000) in consulting fees to a company controlled by a director.

During the year ended December 31, 2019, the Company incurred \$31,985 (2018 - \$27,625) in accounting fees to an accounting firm in which an officer of the Company is a partner. As at December 31, 2019, there was \$646 (2018 - \$29,006) owing to this firm. This balance is unsecured, non-interest bearing and has no fixed terms of repayment.

During the year ended December 31, 2019, the Company granted 1,540,000 (2018 - 1,500,000) stock options with a fair value of \$200,200 (2018 - \$193,890) to officers and directors of the Company.

On May 7, 2017, the Company entered into a license agreement with GlobeX Data S.A., which has a common director, in which the Company obtained the right to market Secure Cloud Storage and Secure Communications Solutions to companies and individuals. During the year ended December 31, 2019, the Company paid software maintenance of \$56,299 (2018 - \$750,037) to GlobeX Data S.A.

On March 30, 2018, the Company acquired all of the issued and outstanding shares of GlobeX Data, Inc. which has a common director (Note 3).

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, royalty payable and due to related parties approximate their carrying value. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with its bank from which management believes the risk of loss is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(d) Currency risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure, but has no hedge positions.

The Company is exposed to currency risk on fluctuations related to cash, accounts payable and accrued liabilities and royalty payable that are denominated in US dollars. At December 31, 2019, a 10% change in the value to the US dollar as compared to the Canadian dollar would not have a significant effect on net loss.

(e) 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 is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

GLOBEX DATA LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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8. CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. 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 make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the year.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates of 27% (2018 – 27%) with the reported taxes is as follows:

	Year ended December 31,	
	2019	2018
Expected income tax recovery	\$ (303,000)	\$ (347,000)
Non-deductible permanent differences	66,000	57,000
Share issuance costs	(78,000)	(3,000)
Change in estimate and other	-	(80,000)
Change in deferred tax assets not recognized	315,000	373,000
Deferred income tax recovery	\$ -	\$ -

	As at December 31,	
	2019	2018
Non-capital losses	\$ 716,000	\$ 462,000
Share issue costs	64,000	3,000
Unrecognized deferred tax assets	(780,000)	(465,000)
	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,362,000. These losses, if not utilized, will begin to expire in 2037.

10. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the Company closed a private placement consisting of 1,225,196 units at a price of \$0.15 per unit for proceeds of \$183,779. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.20 per share for two years. 35,000 units were issued to an officer of the Company.