

**CANNAONE TECHNOLOGIES INC.  
FINANCIAL STATEMENTS**

**For the years ended October 31, 2018 and 2017**

*(Expressed in Canadian Dollars)*

**CANNAONE TECHNOLOGIES INC.**  
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**For the years ended October 31, 2018 and 2017**  
**(Expressed in Canadian Dollars)**

**Financial Statements**

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**INDEPENDENT AUDITOR’S REPORT**

To the Shareholders of Cannaone Technologies Inc.:

We have audited the accompanying financial statements of Cannaone Technologies Inc., which comprise the statements of financial position as at October 31, 2018, and the statements of loss and comprehensive loss, shareholders’ equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cannaone Technologies Inc. as at October 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cannaone Technologies Inc.’s ability to continue as a going concern.

**Other Matter**

The financial statements of Cannaone Technologies Inc. for the year ended October 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on December 8, 2017.

*DMCL*

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
February 28, 2019

**CANNAONE TECHNOLOGIES INC.****Statements of Financial Position****As at October 31, 2018 and 2017****(Expressed in Canadian Dollars)**

<b>As at</b>	<b>October 31, 2018</b>	<b>October 31, 2017</b>
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents	46,043	250,742
GST recoverable	13,408	-
Prepaid expenses (Note 5)	25,000	-
	84,451	250,742
<b>Non-Current assets</b>		
Prepaid expenses (Note 5)	9,600	9,600
Equipment (Note 6)	19,755	37,743
Intangible assets (Note 7)	424,825	374,825
	454,180	422,168
<b>Total assets</b>	<b>538,631</b>	<b>672,910</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Due to related party (Note 9)	-	62,906
Accounts payable and accrued expenses (Note 10)	86,512	28,518
	86,512	91,424
<b>Long-term liabilities</b>		
Due to related party (Note 9)	110,026	-
Loan from shareholder (Note 11)	53,848	-
<b>Total liabilities</b>	<b>250,386</b>	<b>91,424</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)		
Common shares (Note 8)	840,828	840,828
Stock-based compensation reserve (Note 8)	63,086	-
Debt discount reserve (Note 9 and 11)	89,200	-
Deficit	(704,869)	(259,342)
<b>Total shareholders' equity</b>	<b>288,245</b>	<b>581,486</b>
<b>Total liabilities and shareholders' equity</b>	<b>538,631</b>	<b>672,910</b>

Going concern – Note 1

Commitment – Note 16

Subsequent events – Note 17

The accompanying notes form an integral part of the financial statement.

(signed) "Solomon Riby-Williams", Director

**CANNAONE TECHNOLOGIES INC.**  
**Statements of Loss and Comprehensive Loss**  
**For the years ended October 31, 2018 and 2017**  
**(Expressed in Canadian Dollars)**

<b>For the years ended</b>	<b>October 31, 2018</b>	<b>October 31, 2017</b>
REVENUE	\$	\$
Revenue (Note 13)	14,286	-
	<b>14,286</b>	
EXPENSES		
Management fees (Note 9)	(102,000)	(102,000)
Legal, accounting and audit fees	(147,114)	(60,885)
General and administrative	(79,826)	(34,941)
Stock-based compensation (Note 8)	(63,086)	-
Rent	(41,751)	(31,531)
Depreciation (Note 6)	(17,988)	(16,219)
Travel	-	(6,073)
Development expenses	-	(2,091)
Foreign exchange loss	-	(1,102)
<b>LOSS FROM OPERATIONS AND COMPREHENSIVE LOSS</b>	<b>(437,479)</b>	<b>(254,842)</b>
OTHER EXPENSES		
Accretion expense (Note 9 and 11)	(8,048)	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(445,527)</b>	<b>(254,842)</b>
<b>LOSS PER SHARE</b>		
Basic and diluted	<b>(0.024)</b>	<b>(0.015)</b>
<b>WEIGHTED AVERAGE COMMON SHARES</b>		
Basic and diluted	18,162,168	16,597,183

The accompanying notes form an integral part of the financial statements.

**CANNAONE TECHNOLOGIES INC.**  
**Statements of Shareholders' Equity**  
**For the year ended October 31, 2018 and 2017**  
**(Expressed in Canadian Dollars)**

	Number	Common shares	Stock-based compensation reserve	Subscription Receivable	Debt discount reserve	Deficit	Total
		\$		\$		\$	\$
<b>Balance as at October 31, 2016</b>	<b>5,000,001</b>	<b>25,001</b>	-	<b>(25,000)</b>	-	<b>(4,500)</b>	<b>(4,499)</b>
Issuance of shares for licensing agreement (Note 7 and 8)	250,000	50,000	-	-	-	-	50,000
Issuance of shares for management fees (Note 8)	-	-	-	25,000	-	-	25,000
Issuance of shares for acquisition of Technology (Note 7 and 8)	5,416,667	325,000	-	-	-	-	325,000
Issuance of shares for cash (Note 8)	7,495,500	446,100	-	-	-	-	446,100
Issuance costs (Note 8)	-	(5,273)	-	-	-	-	(5,273)
Net loss for the period	-	-	-	-	-	(254,842)	(254,842)
<b>Balance as at October 31, 2017</b>	<b>18,162,168</b>	<b>840,828</b>	-	-	-	<b>(259,342)</b>	<b>581,486</b>
Net loss and comprehensive loss	-	-	-	-	-	(445,527)	(445,527)
Discount of loan from shareholders (Note 11)	-	-	-	-	50,200	-	50,200
Discount of due to related party (Note 9)	-	-	-	-	39,000	-	39,000
Stock-based compensation (Note 8)	-	-	63,086	-	-	-	63,086
<b>Balance as at October 31, 2018</b>	<b>18,162,168</b>	<b>840,828</b>	<b>63,086</b>	-	<b>89,200</b>	<b>(704,869)</b>	<b>288,245</b>

The accompanying notes form an integral part of the financial statements.

**CANNAONE TECHNOLOGIES INC.**  
**Statements of Cash Flows**  
**For the year ended October 31, 2018 and 2017**  
**(Expressed in Canadian Dollars)**

	<b>For the year ended October 31, 2018</b>	<b>For the year ended October 31, 2017</b>
<b>OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Net loss and comprehensive loss	(445,527)	(254,842)
Non-cash expenses:		
Depreciation	17,988	16,219
Shares issued for management fees	-	25,000
Accretion expense	8,048	-
Stock-based compensation	63,086	-
Changes in non-cash working capital:		
GST recoverable	(13,408)	-
Prepaid expenses	(25,000)	(9,600)
Due to related party	82,120	61,906
Accounts payable and accrued expenses	57,994	25,018
<b>Net cash used in operating activities</b>	<b>(254,699)</b>	<b>(136,299)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(3,762)
Acquisition of intangible assets	(50,000)	(50,025)
<b>Net cash used in investing activities</b>	<b>(50,000)</b>	<b>(53,787)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares, net of issuance costs	-	61,227
Proceeds from issuance of special warrants, net of issuance costs	-	379,600
Proceeds from loan	100,000	-
<b>Net cash provided by financing activities</b>	<b>100,000</b>	<b>440,827</b>
<b>INCREASE IN CASH</b>	<b>(204,699)</b>	<b>250,741</b>
Cash - beginning	250,742	1
<b>CASH - ENDING</b>	<b>46,043</b>	<b>250,742</b>

The accompanying notes form an integral part of the financial statements.

# **CANNAONE TECHNOLOGIES INC.**

## **Notes to the Financial Statements**

**For the years ended October 31, 2018 and 2017**

**(Expressed in Canadian Dollars)**

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

CannaOne Technologies Inc. (“the Company”) was incorporated under the laws of the Province of British Columbia on October 19, 2016. The Company has developed technology that leverages big data to deliver predictive analytics and actionable insight to the emerging cannabis industry. The Company is listed on the Canadian Securities Exchange (“the Exchange”) trading under the symbol CNNA. The Company head office is 413-375 Water Street, Vancouver, B.C., V6B 5C6.

The Company’s first two products are BloomKit, a comprehensive solution for cannabis vendors and producers that can manage all aspects of their business from customer acquisition to logistics; and, GreenMachine, a data engine that collects and amalgamates cannabis industry data from BloomKit users and converts it into actionable intelligence.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business in the foreseeable future. These financial statements do not include any adjustments to the carrying value and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company’s operations to date have been financed by issuing common shares and special warrants. The Company’s ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate funds therefrom and raise additional financing in order to meet current and future obligations. The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on equity financing. As at October 31, 2018, the Company has accumulated losses of \$704,869 since inception. There is no assurance that the Company will be successful in generating and maintaining profitable operations, or able to secure future debt or equity financing for its working capital and development activities. If the Company is unable to obtain sufficient funding in this fashion, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of the going concern assumption will be in significant doubt. These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities, which would be necessary should the Company be unable to continue as a going concern.

### **2. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared on a going concern basis, under historical cost convention. The principal accounting policies and critical estimate and judgements, used when compiling these financial statements are set out in Notes 3 and 4. These financial statements were approved by the Board of Directors on February 28, 2019.



# CANNAONE TECHNOLOGIES INC.

## Notes to the Financial Statements

For the years ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The functional currency and presentation currency of the Company is the Canadian dollar. Revenues and expenses in currencies other than the Canadian dollar are translated at the rate of exchange at the time of the transaction.

Transaction gains and losses that arise from exchange-rate fluctuations on transactions denominated in a currency other than the functional currency are recognized in the Statement of Loss and Comprehensive Loss.

#### Cash and cash equivalents

Cash and cash equivalents include bank demand deposit accounts and highly liquid short term investments with maturities of three months or less when purchased. Cash consists of checking accounts held at financial institutions in Canada and funds held in trust which, at times, balances may exceed insured limits. The Company has not experienced any losses related to these balances, and management believes the credit risk to be minimal.

#### Equipment

Equipment is primarily comprised of computer hardware that is recorded at cost and depreciated using the straight-line method over their estimated useful lives of 3 years.

Repairs and maintenance costs are charged to expense as incurred. Expenditures that substantially increase the useful lives of existing assets are capitalized.

#### Intangible assets

Intangible assets include software development costs, acquired intellectual property and license agreements which will be amortized on a straight-line basis over the estimated useful lives of five years after commencing commercial operations and technological feasibility has been established. The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful lives. The Company performs periodic reviews of its capitalized intangible assets to determine if the assets have continuing value to the Company. Based on these valuations, no impairment charges were recognized during the year ended October 31, 2018.

The Company expenses software development costs as incurred until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. Judgement is required in determining when technical feasibility of a product is established. The Company has determined that after technological feasibility for software products is reached, the Company continues to address all high risk development issues through coding and testing prior to release of the products to customers. The amortization of these costs will be included in cost of revenue over the estimated life of the products.

During the year ended October 31, 2018 software development costs of \$100,025 (2017: \$50,025) were capitalized. As at October 31, 2018, the software was in the beta stage of testing and therefore no amortization charge has been made for these development costs.

**CANNAONE TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Impairment of other long-lived assets*

The Company evaluates the recoverability of its equipment and intangible assets whenever events or changes in circumstances indicate impairment may have occurred. An impairment loss is recognized when the net book value of such assets exceeds the estimated future undiscounted cash flows attributed to the assets or the business to which the assets relate. Impairment losses, if any, are measured as the amount by which the carrying value exceeds the fair value of the assets. Intangible assets with indefinite useful lives and intangible assets not yet ready are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

During the years ended October 31, 2018 and 2017 the Company recorded no impairment losses related to the Company's long-lived assets.

*Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

*Income taxes*

Income taxes represent the sum of current and deferred tax expense. Income tax is recognized in net earnings except to the extent it relates to items recognized directly in shareholders' equity, in which case the income tax expense is recognized in shareholders' equity. Current income taxes are measured at the amount, if any, expected to be recoverable from or payable to taxation authorities based on the income tax rates enacted or expected to be enacted at the end of the reporting period.

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded to reflect differences between the accounting and tax base of assets and liabilities, and income tax loss carry forwards. Deferred income taxes are measured using tax rates that are expected to apply to the period when the deferred tax assets are realized or deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The effect of any changes in tax rates is recognized in net income in the period in which the change occurs or in shareholders' equity, depending on the nature of the items affected by the adjustment.

Deferred income tax assets and liabilities are not recognized for temporary differences relating to the initial recognition of goodwill; the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss or taxable profit or loss; and certain differences associated with subsidiaries, branches and associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for deductible temporary differences to the extent it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow the asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities relating to the same taxable entity. The Company may also offset deferred tax assets and deferred tax liabilities relating to different taxable entities, where the amounts relate to income taxes levied by the same taxation authority and the entities intend to realize the assets and settle the liabilities simultaneously.

**CANNAONE TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Share capital*

Proceeds from the exercise of stock options, special warrants and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital and special warrants issued for non-monetary consideration are valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares, special warrants and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of options or warrants is recorded in share capital and the related residual value is transferred to share capital. For those warrants that expire, the recorded value is transferred to expired warrants reserve in equity.

*Valuation of equity units issued in private placements*

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

*Equity-settles Share-based Payments*

The Company operates equity-settled share-based payment plans for its eligible directors, employees and consultants. None of the Company's current plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments, except warrants, are ultimately recognized as an expense in the profit or loss corresponding credit to stock-based compensation reserve, within shareholders' equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to stock options and or warrants respectively, within shareholders' equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs, as well as the related compensation cost previously recorded as contributed surplus, are credited to share capital.

# CANNAONE TECHNOLOGIES INC.

## Notes to the Financial Statements

For the years ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding sales tax, estimated discounts, rebates and estimated returns.

#### Net loss per share

Basic net loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share takes into consideration common shares outstanding (computed under basic loss per share) and potentially dilutive securities. Common shares issuable are considered outstanding as of the original approval date for purposes of earnings per share comparisons.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal year. The Company makes estimates for, among other items, useful lives for depreciation and amortization, determination of future cash flows associated with impairment testing for long-lived assets, determination of the fair value of stock options and warrants, valuation allowance for deferred tax assets, allowances for doubtful accounts, and potential income tax assessments and other contingencies. The Company bases its estimates on historical experience, current conditions, and other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from those estimates and assumptions.

#### Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period. Net loss for the period is equivalent to comprehensive loss for the period.

**CANNAONE TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**For the years ended October 31, 2018 and 2017**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments*

*Financial assets*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or have been transferred and the Company has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the company classifies its financial instruments in the following categories:

- Financial assets at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially at cost, and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which are classified as long-term. Interest rate swaps and warrants are classified as current.

As at October 31, 2018 and 2017, the Company had cash and cash equivalents included under this classification.

**CANNAONE TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

- Available-for-sale investments:

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized initially at fair value plus transaction costs, and are subsequently carried at fair value. Gains or losses arising from re-measurement are recognized in the other comprehensive income, except for exchange gains and losses on the translation of equity securities, which are recognized in the statement of loss. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from the accumulated other comprehensive income to the statements operations, and are included in “gains (losses) on sale of debt and equity security (net)”. Available-for-sale investments are classified as non-current, unless an investment matures within twelve months, or management expects to dispose of it within twelve months.

Interest on available-for-sale debt instruments, calculated using the effective interest method, is recognized in the statement of operations as part of the interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as dividend income, when the Company’s right to receive payment is established.

As at October 31, 2018 and 2017, the Company had no financial instruments included under this classification.

- Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables comprise cash and cash equivalents and prepayments. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. As at October 31, 2018 and 2017, the Company had no financial instruments included under this classification.

- Held to maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity.

- Financial liabilities at amortized cost:

Financial liabilities at amortized include due to related parties and accounts payable and loan from shareholder. Payable costs are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method. Due to related parties are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

**CANNAONE TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**For the years ended October 31, 2018 and 2017**  
**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried at fair value. Changes in fair value are recognized in the statement of loss and comprehensive loss.

As at October 31, 2018 and 2017, the Company had no financial instruments under this classification.

*Impairment of financial assets*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Fair value hierarchy.*

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- |          |  |
|----------|--|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities.  |
| Level 2: | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3: | Inputs for assets or liabilities that are not based on observable market data.   |

The carrying value of the cash and cash equivalent, due to related parties and accounts payable approximate their fair value.

*New and revised accounting standards issued but not yet effective*

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *New and revised accounting standards issued but not yet effective (continued)*

##### *IFRS 9 Financial Instruments*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets:**  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets:**  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:**  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently evaluating the impact of the final standard and amendments on its financial statements.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*New and revised accounting standards issued but not yet effective (continued)*

*IFRS 16 Leases*

IFRS 16, Leases (“IFRS 16”) In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently assessing the impact of IFRS 16.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 is not expected to have a significant impact on the financial statements of the Company as the Company has minimal revenues as of the date of these financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATIONS UNCERTAINTY**

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

*Fair Value of Financial Instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*Share-Based Payment Transactions*

The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are determined at the time of the granting of such share-based compensation.

*Income Taxes*

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

**CANNAONE TECHNOLOGIES INC.**  
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**5. PREPAID EXPENSES**

Prepaid expenses consist of the following:

	October 31, 2018	October 31, 2017
	\$	\$
Other prepaid expenses – Current	25,000	-
Rental office deposit – Long-term	9,600	9,600
	<b>34,600</b>	<b>9,600</b>

**6. EQUIPMENT**

Equipment consist of the following:

	Computer Equipment
	\$
<b>Cost</b>	
Balance as at October 31, 2016	-
Additions	53,962
Balance as at October 31, 2017	53,962
Additions	-
<b>Balance as at October 31, 2018</b>	<b>53,962</b>
<b>Accumulated Depreciation</b>	
Balance as at October 31, 2016	-
Charge for the period	(16,219)
Balance as at October 31, 2017	(16,219)
Charge for the period	(17,988)
<b>Balance as at October 31, 2018</b>	<b>(34,207)</b>
<b>Net Book Value</b>	
Balance as at October 31, 2017	37,743
<b>Balance as at October 31, 2018</b>	<b>19,755</b>

**CANNAONE TECHNOLOGIES INC.**  
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**7. INTANGIBLE ASSETS**

Intangible assets consist of the following:

	<b>Intellectual property</b>	<b>License agreement</b>	<b>Development costs</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
Balance as at October 31, 2016	-	-	-	-
Additions	274,800	50,000	50,025	374,825
Balance as at October 31, 2017	274,800	50,000	50,025	374,825
Additions	-	-	50,000	50,000
<b>Balance as at October 31, 2018</b>	<b>274,800</b>	<b>50,000</b>	<b>100,025</b>	<b>424,825</b>
<b>Accumulated Amortization</b>				
Balance as at October 31, 2016	-	-	-	-
Charge for the period	-	-	-	-
Balance as at October 31, 2017	-	-	-	-
Charge for the period	-	-	-	-
<b>Balance as at October 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>				
Balance as at October 31, 2017	274,800	50,000	50,025	374,825
<b>Balance as at October 31, 2018</b>	<b>274,800</b>	<b>50,000</b>	<b>100,025</b>	<b>424,825</b>

**Intellectual Property**

The Company acquired a proprietary HIPPA data solution that targets relational and medical aspects of cannabis users to the ultimate informational benefit of its business users for the issuance of 5,416,667 common shares with an agreed value of \$325,000. The acquisition included \$50,200 of computer equipment.

**License Agreement**

The Company has acquired the exclusive right to use the VMoney payment platform for the cannabis industry in Canada in return for the issuance of 250,000 shares of common shares, with a fair value of \$50,000 in addition to agreement to pay to VMoney 2.5% of gross revenue. The agreement is for a term of three years commencing upon commercial operations and renewable with automatic one year renewals thereafter.

The Company has the non-exclusive right to use the VMoney platform in all other areas of the world and the right of first refusal to acquire the rights exclusively at such time when VMoney decides that it will enter into exclusive licensing for these areas.

**Development Costs**

The Company has engaged Inspired Networks Inc. to develop a new commercial platform, BloomKit. As at October 31, 2018, \$100,025 (October 31, 2017: \$50,025) has been paid and recognized as development costs for the new consumer website.

**CANNAONE TECHNOLOGIES INC.**  
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**8. SHARE CAPITAL**

**Authorized Share Capital**

The Company is authorized to issue an unlimited number of shares of common stock without par value.

As at October 31, 2018 there were 18,162,168 (2017: 18,162,168) common shares outstanding.

- On November 11, 2016, the Company issued 5,000,000 special warrants, since converted to common shares, for cash proceeds of \$100,000;
- On December 9, 2016, the Company issued 5,416,667 special warrants, since converted to common shares, for technology assets acquired with a fair value of \$325,000;
- On February 6, 2017, the Company issued 2,100,000 special warrants, since converted to common shares, for cash proceeds of \$210,000;
- On March 24, 2017, the Company issued 250,000 common shares for licensing agreement with a fair value of \$50,000 (Note 7);
- On May 12, 2017, the Company issued 236,000 special warrants, since converted to common shares, for cash proceeds of \$59,000;
- On May 12, 2017, the Company issued 133,000 common shares for cash proceeds of \$66,500; and
- On May 12, 2017, the Company issued 26,500 special warrants, since converted to common shares, for cash proceeds of \$10,600.

The Company paid costs of \$Nil (2017: \$5,273) related to the issuance of the common shares during the year ended October 31, 2018.

No shares were during the year ended October 31, 2018.

**Escrowed Shares**

Of the 18,162,168 common shares issued and outstanding as at October 31, 2018, 5,300,000 common shares held by directors, officers, and management are held in escrow. These escrowed shares will be released as follow:

<b>Date</b>	<b>Quantity</b>	
On the date the Company's securities are listed on the Canadian Securities Exchange (the listing date)	11/20/2018	530,000
6 months after the listing date	5/20/2019	795,000
12 months after the listing date	11/20/2019	795,000
18 months after the listing date	5/20/2020	795,000
24 months after the listing date	11/20/2020	795,000
30 months after the listing date	5/20/2021	795,000
36 months after the listing date	11/20/2021	795,000
		<b>5,300,000</b>

# CANNAONE TECHNOLOGIES INC.

## Notes to the Financial Statements

For the years ended October 31, 2018 and 2017

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### 8. SHARE CAPITAL (continued)

#### Escrowed Shares (continued)

Of the 18,162,168 common shares issued and outstanding as at October 31, 2018 5,000,000 common shares are subject to a voluntary pooling agreement. The pooled shares are held in escrow for a period of 12 months from the listing date with 20% of such pooled shares released on the listing date and 20% every three months thereafter. These escrowed shares will be released as follow:

Date		Quantity
On the date the Company's securities are listed on the Canadian Securities Exchange (the listing date)	11/20/2018	1,000,000
3 months after the listing date	2/20/2019	1,000,000
6 months after the listing date	5/20/2019	1,000,000
9 months after the listing date	8/20/2019	1,000,000
12 months after the listing date	11/20/2019	1,000,000
		<b>5,000,000</b>

#### Warrants

There were no outstanding warrants as at October 31, 2018 and 2017.

#### Stock Options

On November 1, 2017 the Company set up an Incentive Stock Option Plan for employees, directors and consultants of the Company. This is a rolling stock option plan under which the total number of options granted under the plan and all other options granted will not exceed 10% of the issued capital of the Company. Options granted will have a term as set in the option grant but in no case greater than five years.

During the year ended October 31, 2018 the Company granted 250,000 options to an officer and director. The options are exercisable at \$0.40 per share, fully vested and expire February 28, 2021. The fair value of this options were estimated for \$63,086 with the following inputs: share price \$0.40, exercised price \$0.40, expected dividend yield of 0%, expected volatility of 180% which is based on comparable companies, risk-free interest rate of 1.78%; and expected life of three years.

Stock options		
	Number	Weighted average exercise price \$
<b>Outstanding, October 31, 2017</b>	-	-
Issued	250,000	0.40
<b>Outstanding, October 31, 2018</b>	<b>250,000</b>	<b>0.40</b>

As at October 31, 2018, exercisable incentive stock options were outstanding as follow:

Exercisable options	Exercise price \$	Expiry date	Expected dividend yield %	Risk-free interest rate %	Expected volatility %
250,000	0.40	February 28, 2021	0%	1.78%	180%

**CANNAONE TECHNOLOGIES INC.**  
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**8. SHARE CAPITAL (continued)**

**Reserves**

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

**9. RELATED PARTY TRANSACTIONS**

Included in the Loss from Operations and Comprehensive Loss for the years ended October 31, 2018 and 2017, are the following amounts, which arose due to transactions with related parties:

	October 31, 2018	October 31, 2017
	\$	\$
Management fees from directors and key management	102,000	102,000

The Company had the following outstanding amounts as at October 31, 2018 and 2017 due to related parties:

	October 31, 2018	October 31, 2017
	\$	\$
Due to directors for management fees	40,526	8,406
Due to key management personnel for management fees	104,500	54,500
Principal	<b>145,026</b>	<b>62,906</b>
Debt discount reserve	(39,000)	-
Accretion interest expense	4,000	-
Total	<b>110,026</b>	<b>62,906</b>
Carrying value – short term	-	<b>62,906</b>
Carrying value – long term	<b>110,026</b>	-

On August 30, 2018, the Company and the directors and key management personnel entered into an agreement where the repayment of amounts due to these related parties were deferred until April 31, 2020. The agreement further provides that re-payment of accrued salaries may be made, at the Company's discretion, in cash, by the issuance of common shares of the Company, or by any combination of cash or shares. Amounts due to directors and key management personnel are unsecured without interest. Due to related party was discounted at a market rate of 17% to determine the fair value of the loan at the agreement date. The due to related party discount of \$39,000 was recorded in the debt discount reserve. The carrying value of the due to related party is measured at amortized cost and the accretion interest expense recognized during the year was \$4,000 (2017: \$Nil)

The Company also has a loan from a related party with a carrying value of \$53,848 as at October 31, 2018 (Note 11).

**10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following:

	October 31, 2018	October 31, 2017
	\$	\$
Trade payables	66,512	25,018
Accrued expenses	20,000	-
	<b>86,512</b>	<b>28,518</b>

# CANNAONE TECHNOLOGIES INC.

## Notes to the Financial Statements

For the years ended October 31, 2018 and 2017

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### 11. LOAN FROM SHAREHOLDER

On June 1, 2018 the Company entered into an agreement with a shareholder for a loan of \$100,000. The loan is unsecured, non-interest bearing until July 31, 2021 after which time interest of 0.5% per month is to be accrued and paid, together with the outstanding principal, at the loan maturity date of July 31, 2023. The loan was discounted at a market rate of 17% to determine the fair value of the loan at the recognition date. The loan discount of \$50,200 was recorded in the debt discount reserve. The carrying value of the loan is measured at amortized cost and the balance as at October 31, 2018 is \$53,848 and the accretion expense recognized during the year was \$4,048.

### 12. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2017:26%) to the income for the year ended October 31, 2018 is reconciled as follows:

	2018	2017
	\$	\$
Loss before income taxes	(445,527)	(254,842)
Combined statutory rate	26.5%	26%
Expected income tax recovery	(118,065)	(66,259)
Tax effect of share issuance costs	-	(1,371)
Effect of change in tax rate	(1,323)	-
Other non-deductible expenses	18,851	-
Change in unrecognized deductible temporary differences	100,537	67,630
	-	-

Significant components of the Company's future tax assets and liabilities are as follows:

	2018	2017
	\$	\$
Share issuance costs	838	1,097
Non-capital losses available for future period	168,499	67,703
	169,337	68,800
Unrecognized deferred tax assets	(169,337)	(68,800)
Net deferred tax assets	-	-

The Company has non-capital losses of \$637,885 available for carry-forward to reduce future years' Income for income tax purposes. The expiration year for the losses are: 2036 for \$4,500, 2037 for \$255,897 and \$377,488 for 2038.

### 13. REVENUES

Revenues consist of initial set-up fees covering the wire framing layout and user interface development to integrate the customer into Bloomkit and two months of subscription revenues.

# CANNAONE TECHNOLOGIES INC.

## Notes to the Financial Statements

For the years ended October 31, 2018 and 2017

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### 14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital. There were no changes in the Company's approach to capital management during the year.

### 15. FINANCIAL RISK MANAGEMENT

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash held in trust are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at October 31, 2018, the Company's exposure is the carrying value of the financial instruments.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained cash at October 31, 2018 in the amount of \$46,043, in order to meet short-term business requirements. As at October 31, 2018, the Company had current liabilities for the amount \$86,512.

#### Market risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at October 31, 2018, since the interest rate of the loan from shareholder is fixed, the Company has no exposure for this regard.



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**15. FINANCIAL RISK MANAGEMENT (continued)**

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

As at October 31, 2018, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars. As at October 31, 2018, the Company has exposure to \$294 for its cash and cash equivalents. A 10% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in approximately \$29 change in the Company's net loss and comprehensive loss.

**16. COMMITMENT**

Approximate non-cancellable operating rental payments are as follow:

2019	42,000
2020	36,000
	<hr/>
	<b>\$ 78,000</b>

**17. SUBSEQUENT EVENTS**

Subsequent to October 31, 2018 the Company issued, pursuant to its initial public offering, 1,250,000 shares of common stock for gross proceeds of \$500,000 less issuance costs of \$49,961. In addition, the Company issued the broker 100,000 warrants, exercisable at \$0.40 per share until November 20, 2020. The broker warrants were exercised after the year end for cash proceeds of \$40,000.

Effective January 8, 2018, the Company's common shares are listed on the Frankfurt Stock Exchange under the trading symbol 3CT.

The Company issued 50,000 options to a consultant which were subsequently exercised for cash proceeds of \$62,015.

**18. COMPARATIVE FIGURES**

Certain of comparative figures have been reclassified to conform the financial statements presentation adopted for the current year.