

**CANNAONE TECHNOLOGIES INC.
FINANCIAL STATEMENTS**

For the years ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

CANNAONE TECHNOLOGIES INC.
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For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

Financial Statements

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CannaOne Technologies Inc.

Opinion

We have audited the financial statements of CannaOne Technologies Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2020 and 2019, and the statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 1, 2021

CANNAONE TECHNOLOGIES INC.**Statements of Financial Position****As at October 31, 2020 and 2019****(Expressed in Canadian Dollars)**

As at	2020	2019
ASSETS	\$	\$
Current assets		
Cash	5,046	209,248
GST recoverable	8,909	37,817
Deposit (Note 5)	-	9,600
	13,955	256,665
Non-Current assets		
Equipment (Note 6)	501	2,629
Intangible assets (Note 7)	304,548	398,273
	305,049	400,902
Total assets	319,004	657,567
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses (Notes 10 and 11)	208,463	117,884
Advances from related parties (Note 10)	22,016	-
Convertible debenture (Note 9)	-	216,845
Derivative liability (Note 9)	-	84,686
Due to related parties (Note 10)	968,623	452,718
Lease liability (Note 14)	12,411	-
	1,211,513	872,133
Long-term liabilities		
Loan from shareholder (Notes 10 and 12)	37,299	29,965
Total liabilities	1,248,812	902,098
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	2,222,585	2,014,772
Stock-based compensation reserve (Note 8)	233,934	189,418
Debt discount reserve (Notes 8, 10 and 12)	136,314	136,314
Deficit	(3,522,641)	(2,585,035)
Total shareholders' equity	(929,808)	(244,531)
Total liabilities and shareholders' equity	319,004	657,567

Going concern – Note 1

Commitments – Note 18

Subsequent events – Note 19

The accompanying notes form an integral part of the financial statement

CANNAONE TECHNOLOGIES INC.
Statements of Loss and Comprehensive Loss
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

For the years ended	2020	2019
REVENUE	\$	\$
Revenue (Note 13)	-	49,823
	-	49,823
EXPENSES		
Marketing	(84,749)	(741,598)
Management fees (Note 10)	(503,000)	(412,500)
Professional fees	(111,504)	(150,211)
General and administrative (Note 10)	(91,950)	(243,998)
Stock-based compensation (Note 8)	(44,516)	(204,890)
Rent	(13,409)	(64,304)
Depreciation (Note 6, 7 and 14)	(79,343)	(44,755)
Impairment charge (Note 7, 14)	(46,523)	-
	(974,994)	(1,862,256)
LOSS FROM OPERATIONS	(974,994)	(1,812,433)
OTHER EXPENSES		
Gain on fair value of derivative liability (Note 9)	(51,117)	(15,419)
Loss on debt settlement (Note 8)	-	(1,934)
Interest expense	6,583	-
Accretion expense (Notes 9, 10, 12 and 14)	71,842	(71,409)
Gain on conversion of debentures (Note 9)	(64,696)	-
NET LOSS AND COMPREHENSIVE LOSS	(937,606)	(1,901,195)
LOSS PER SHARE		
Basic and diluted	(0.043)	(0.095)
WEIGHTED AVERAGE COMMON SHARES		
Basic and diluted	21,753,526	19,961,637

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

CANNAONE TECHNOLOGIES INC.
Statements of Shareholders' Equity
For the year ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Number	Common shares	Stock-based compensation reserve	Debt discount reserve	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance as at October 31, 2018	18,162,168	840,828	63,086	89,200	(704,869)	288,245
Net loss and comprehensive loss	-	-	-	-	(1,901,195)	(1,901,195)
Issuance of shares for cash (Note 8)	2,142,928	1,000,040	-	-	-	1,000,040
Issuance of shares for debt settlement (Note 8)	24,177	20,309	-	-	-	20,309
Issuance of shares for warrants exercised (Note 8)	30,000	21,000	-	-	-	21,000
Issuance of shares for options exercised (Note 8)	316,666	288,772	(120,091)	-	-	168,681
Share issuance costs (Note 8)	-	(156,177)	62,562	-	-	(93,615)
Expired options (Note 8)	-	-	(21,029)	-	21,029	-
Discount of due to related party (Notes 8 and 10)	-	-	-	47,114	-	47,114
Stock-based compensation (Note 8)	-	-	204,890	-	-	204,890
Balance as at October 31, 2019	20,675,939	2,014,772	189,418	136,314	(2,585,035)	(244,531)
Net loss and comprehensive loss	-	-	-	-	(937,606)	(937,606)
Issuance of shares for conversion of debenture (Notes 8 and 9)	1,380,066	207,813	-	-	-	207,813
Stock-based compensation (Note 8)	-	-	44,516	-	-	44,516
Balance as at October 31, 2020	22,056,005	2,222,585	233,934	136,314	(3,522,641)	(929,808)

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

CANNAONE TECHNOLOGIES INC.
Statements of Cash Flows
For the year ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(937,606)	(1,901,195)
Non-cash expenses:		
Depreciation	79,343	44,755
Impairment charge	46,523	-
Accretion expense	71,842	71,409
Accrued interest	6,583	12,000
Stock-based compensation	44,516	204,890
Gain on fair value of derivative liability	(51,117)	15,419
Gain on conversion	(64,696)	-
Loss on debt settlement	-	1,934
Changes in non-cash working capital:		
GST recoverable	28,908	(24,409)
Prepaid expenses	9,600	25,000
Accounts payable and accrued expenses	90,579	49,747
Cash used in operating activities	(675,525)	(1,500,450)
INVESTING ACTIVITIES		
Purchase of equipment	-	(1,077)
Cash used in investing activities	-	(1,077)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares, net of issuance costs	-	1,096,106
Proceeds from convertible debt	-	250,000
Advances from related parties, net of repayments	22,016	-
Repayment of advances from shareholders	-	(30,000)
Due to related party	468,000	348,626
Lease payments	(18,693)	-
Cash (used in) provided by financing activities	471,323	1,664,732
(DECREASE) INCREASE IN CASH	(204,202)	163,205
Cash - beginning of year	209,248	46,043
CASH – end of year	5,046	209,248
Non-cash transactions:		
Issuance of shares for debt settlement/ convertible debentures	207,813	20,309

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, 2020 and 2019

(Expressed in Canadian Dollars)

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 5-156 East 8th Avenue, Vancouver, B.C., V5T 1R7.

The Company’s first consumer product, BloomKit, is a software suite that delivers a complete online toolkit for a variety of applications for companies in the cannabis sector.

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. 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, 2020, the Company has accumulated losses of \$3,522,641. 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.

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, has 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 ability to raise funds or the development of the Company’s products or services

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, except for certain financial instruments measured at fair value. The principal accounting policies and critical estimates 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 March 1, 2021.

CANNAONE TECHNOLOGIES INC.
Notes to the Financial Statements
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

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. Assets and liabilities denominated in foreign currencies are initially recorded at the exchange rate at the date of the transaction and are remeasured at the exchange rate at the year end date.

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, which are held at financial institutions in Canada and funds held in trust.

Equipment

Equipment is comprised of computer equipment that is recorded at cost and depreciated using the straight-line method over its 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 eight 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.

The Company capitalizes software development costs if they are identifiable, are expected to generate future economic benefits, and technological feasibility has been established, otherwise software development costs are expensed as incurred. 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.

Impairment of other long-lived assets

The Company evaluates the recoverability of its equipment and assess intangible assets for indicators of impairment, annually. 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 year ended October 31, 2020 the Company recorded \$42,187 (2019: \$nil) as an impairment loss related to license agreements the Company will no longer use.

CANNAONE TECHNOLOGIES INC.
Notes to the Financial Statements
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CANNAONE TECHNOLOGIES INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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-settled 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 Company cannot estimate reliably the fair value of the goods or services received, the Company 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 with a 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.

Convertible Debentures

Convertible debentures are compound financial instruments whose components may be allocated between a financial liability component and an equity instrument component. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option is fixed, the financial liability, represents the discounted obligation to repay the cash component and is initially measured at fair value and subsequently measured at amortized cost. The residual amount is recognized in equity. Where the conversion option is variable, the derivative liability is measured first and carried at fair value and the residual balance represents the financial liability measured at amortized cost. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

CANNAONE TECHNOLOGIES INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

The Company's primary source of revenue is from the deployment of BloomKit in various jurisdictions to support customers' online e-commerce marketplace cannabis product sales. Revenue is recognized in line with the following model:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred (i.e. the performance obligations);
- the Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company recognizes revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

A customer obtains control of an asset at a point in time when:

- the Company has a present right to payment for the asset;
- a customer has legal title to the asset;
- the Company has transferred physical possession of the asset;
- a customer has the significant risks and rewards related to the ownership of the asset; and
- a customer has accepted the asset.

Revenue is measured at the amount of the transaction price that is allocated to that performance obligation. The transaction price (which excludes estimates of constrained variable consideration) that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

The Company capitalizes any incremental costs incurred to obtain a future revenue contract. Capitalized contract costs are amortized over the period of the revenue contract. At each reporting date, the capitalized contract costs are reviewed for impairment that includes management's analysis of the probability of a future revenue contract.

Loss per share

Basic 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 the potential effect of dilutive securities.

Use of estimates

The preparation of financial statements in conformity with IFRS 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 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.

CANNAONE TECHNOLOGIES INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive loss (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the measurement categories under IFRS 9 for each class of the Company’s financial assets and financial liabilities:

<u>Financial assets/liabilities</u>	<u>IFRS 9 classification</u>
Cash	FVTPL
Accounts payable	Amortized cost
Due to related parties	Amortized cost
Loan from shareholder	Amortized cost
Advances from related parties	Amortized cost
Derivative liability	FVTPL

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive loss.

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

Financial instruments (continued)

Financial assets through other comprehensive income (“FVTOCI”)

Financial assets that meet the following conditions are measured at FVTOCI:

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

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

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. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Cash is carried at fair value using level 1 inputs, while the derivative liability is carried at fair value using level 3 inputs. The carrying values of the due to related parties, accounts payable, loan from shareholder and advances from related parties approximate their fair value due to their short-term nature.

New standard adopted - Leases

This is the first period for which the Company has applied IFRS 16, Leases. The Company adopted IFRS 16 on a modified retrospective approach. This new standard replaces IAS 17, Leases and the related interpretive 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 is not substantially changed. There has been no adjustment to the comparative financial statements as a result of the transition to IFRS 16 as of November 1, 2019, as the change was applied on the modified retrospective approach.

The Company's updated lease accounting policies is as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

CANNAONE TECHNOLOGIES INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other accounting standards

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's 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.

5. DEPOSIT

Prepaid expenses consist of the following:

	October 31, 2020	October 31, 2019
	\$	\$
Rental office deposit – Current	-	9,600
	-	9,600

CANNAONE TECHNOLOGIES INC.
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6. EQUIPMENT

Equipment consists of the following:

	Computer Equipment
Cost	\$
Balance as at October 31, 2018	53,962
Additions	1,077
Balance as at October 31, 2019 and 2020	55,039
Accumulated Depreciation	
Balance as at October 31, 2018	(34,207)
Charge for the year	(18,203)
Balance as at October 31, 2019	(52,410)
Charge for the year	(2,128)
Balance as at October 31, 2020	(54,538)
Net Book Value	
Balance as at October 31, 2019	2,629
Balance as at October 31, 2020	501

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Intellectual property	License agreement	Development costs	Total
Cost	\$	\$	\$	\$
Balance, October 31, 2020 and 2019	274,800	50,000	100,025	424,825
Accumulated Amortization				
Balance, October 31, 2018	-	-	-	-
Charge for the year	(17,175)	(3,125)	(6,252)	(26,552)
Balance as at October 31, 2019	(17,175)	(3,125)	(6,252)	(26,552)
Charge for the year	(34,350)	(4,688)	(12,500)	(51,538)
Impairment charge	-	(42,187)	-	(42,187)
Balance as at October 31, 2020	(51,525)	(50,000)	(18,752)	(120,277)
Net Book Value				
Balance as at October 31, 2019	257,625	46,875	93,773	398,273
Balance as at October 31, 2020	223,275	-	81,273	304,548

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 a fair value of \$325,000. The acquisition included \$50,200 of computer equipment (Note 6).

CANNAONE TECHNOLOGIES INC.

Notes to the Financial Statements

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7. INTANGIBLE ASSETS (continued)

License Agreement

The Company 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 an 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 had 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. The Company determined it will no longer utilize the VMoney platform and has recorded an impairment charge of \$42,187 during the year ended October 31, 2020.

Development Costs

The Company engaged Inspired Networks Inc., a company owned by the Chief Technology Officer, to develop a new commercial platform, BloomKit. As at October 31, 2020, \$100,025 (October 31, 2019: \$100,025) had been paid and recognized as development costs for the commercial platform.

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, 2020 there were 22,056,005 (2019: 20,675,939) common shares outstanding.

Shares issued during the year ended October 31, 2020:

- On January 20, 2020, the Company issued 1,380,066 common shares with a fair value of \$207,813 on conversion of the principal and accrued interest of the convertible debenture (Note 9).

Shares issued during the year ended October 31, 2019:

- On November 20, 2018, the Company issued 1,250,000 common shares for cash proceeds of \$500,000. Related to this share issuance, the Company granted 100,000 agent's options, which are exercisable at \$0.40 per share for a period of two years. The fair value of the agent's options of \$45,991 was recognized as share issuance costs.
- On February 6, 2019, the Company issued 100,000 common shares on the exercise of 100,000 stock options for cash proceeds of \$40,000. The fair value of \$45,991 was reclassified from stock-based compensation reserve to share capital on conversion.
- On February 6, 2019, the Company issued 50,000 common shares on the exercise of 50,000 stock options for cash proceeds of \$62,015. The fair value of \$32,043 was reclassified from stock-based compensation reserve to share capital on conversion.
- On April 30, 2019, the Company issued 892,928 units for cash proceeds of \$500,040. Each unit consists of one common share and one warrant. Half of the warrants are exercisable at \$0.70 per share for a period of 12 months and the other half are exercisable at \$1.12 per share for a period of 12 months. The Company issued 35,720 finders' warrants, half of which are exercisable at \$0.70 per share for a period of 12 months and half of which are exercisable at \$1.12 per share for a period of 12 months. The fair value of finders' warrants of \$16,571 was recognized as share issuance costs.
- On July 27, 2019, the Company issued 166,666 common shares on the exercise of 166,666 stock options for cash proceeds of \$66,666. The fair value of \$42,057 was reclassified from stock-based compensation reserve to share capital on conversion.
- On August 28, 2019, the Company issued 24,177 common shares with a fair value of \$20,309 to settle accounts payable of \$18,375, resulting in a loss on debt settlement of \$1,934.
- On October 9, 2019, the Company issued 30,000 common shares on the exercise of 30,000 warrants for cash proceeds of \$21,000.
- The Company paid cash costs of \$93,615 related to the issuance of the common shares during the year ended October 31, 2019.

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8. SHARE CAPITAL (continued)

Escrowed Shares

Of the 22,056,005 common shares issued and outstanding, as at October 31, 2020, 2,385,000 (2019: 3,975,000) common shares held by directors, officers, and management are held in escrow. These escrowed shares will be released as follow:

Date		Quantity
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
		2,385,000

Warrants

	Number	Weighted average exercise price \$
Outstanding, October 31, 2018	-	-
Issued	928,648	0.91
Exercised	(30,000)	0.70
Outstanding, October 31, 2019	898,648	0.92
Expired	898,648	0.92
Outstanding October 31, 2020	-	-

During the year ended October 31, 2020, no warrants were issued or exercised and 898,648 warrants expired.

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, 2019, the Company granted 100,000 stock options to an agent, which are exercisable at \$0.40 for a period of two years. These options vest immediately on the date of grant. The fair value of these options was recorded as share issuance costs and estimated to be \$45,991 using the Black-Scholes Option Pricing Model with the following assumptions: share price \$0.70, exercised price \$0.40, expected dividend yield of 0%, expected volatility of 100% of which is based on comparable companies, risk-free interest rate of 2.19%; and expected life of 2 years. The fair value was recorded as share issuance cost.

During the year ended October 31, 2019, the Company granted 50,000 stock options to a consultant, which are exercisable at \$1.24 for a period of eighteen months. These options vest immediately on the date of grant. The fair value of these options was estimated to be \$32,043 using the Black-Scholes Option Pricing Model with the following assumptions: share price \$1.24, exercised price \$1.24, expected dividend yield of 0%, expected volatility of 113% which is based on comparable companies, risk-free interest rate of 1.92%; and expected life of 1.5 years.

During the year ended October 31, 2019, the Company granted 150,000 stock options to a consultant, which are exercisable at \$0.71 for a period of one year. These options vest as 25% every three months from the date of grant. The fair value of these options was estimated to be \$51,629 using the Black-Scholes Option Pricing Model with the following assumptions: share price \$0.71, exercised price \$0.71, expected dividend yield of 0%, expected volatility of 129% which is based on comparable companies, risk-free interest rate of 1.67%; and expected life of one years. During the year ended October 31, 2019, \$4,398 was recognized as stock-based compensation expense for the vesting of these options.

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8. SHARE CAPITAL (continued)

Stock Options (continued)

During the year ended October 31, 2019, the Company granted 250,000 stock options to a director, half of which are exercisable at \$1.13 for a period of three years and half of which are exercisable at \$1.25 for a period of three years. These options vest immediately on the date of grant. The fair value of these options was estimated to be \$168,449 using the Black-Scholes Option Pricing Model with the following assumptions: share price \$1.13, exercised prices \$1.13 and \$1.25, expected dividend yield of 0%, expected volatility of 97% which is based on comparable companies, risk-free interest rate of 1.61%; and expected life of 3 years.

Total stock-based compensation expense for the year ended October 31, 2020, is \$44,516 (2019: \$204,890) related to options that vested in the year.

	Number	Weighted average exercise price \$
Outstanding, October 31, 2018	250,000	0.40
Granted	550,000	0.92
Exercised	(316,666)	0.53
Expired	(83,334)	0.40
Outstanding, October 31, 2019	400,000	1.01
Expired	(150,000)	0.71
Outstanding, October 31, 2020	250,000	1.19

As at October 31, 2020, exercisable incentive stock options were outstanding as follow:

Exercisable options	Exercise price \$	Expiry date
125,000	1.13	May 1, 2022
125,000	1.25	May 2, 2022

The weighted average life of options outstanding as at October 31, 2020 is 1.50 years.

Stock-Based Compensation Reserve

The stock-based compensation 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. During the year ended October 31, 2019, \$21,029 was transferred to deficit for expired options and \$47,114 was recorded as debt discount reserve.

9. CONVERTIBLE DEBENTURE

On June 7, 2019, the Company issued \$250,000 in an aggregate principal amount of convertible debenture. The principal balance is repayable in 12 months after issuance plus 12% interest. At any time during the term, the principal can be converted at a price equal to a 20% discount to the prevailing market price on the date of conversion, and the accrued interest can be converted at a price equal to the prevailing market price on the date of conversion. Because the conversion price is a function of the market price on the date of conversion, a variable number of shares will be issued on conversion, resulting in a derivative liability. On initial recognition, first the derivative liability of \$69,267 was recognized, with the residual value of \$180,733 allocated to the debt component.

CANNAONE TECHNOLOGIES INC.**Notes to the Financial Statements****For the years ended October 31, 2020 and 2019****(Expressed in Canadian Dollars)****9. CONVERTIBLE DEBENTURE (continued)**

On January 16, 2020, the convertible debenture was amended to make the conversion price the same as the closing market price on the day of conversion. This resulted in a gain on the fair value of the derivative liability of \$51,117. On January 20, 2020 1,380,066 shares of common stock were issued with a fair value of \$207,813 in full settlement of the outstanding principal and accrued interest of the debenture. During the year ended October 31, 2020, the Company recognized accretion expense of \$15,513 (2019: \$24,112) and a gain of \$64,696 (2019: \$nil) in the statements of loss and comprehensive loss.

	Convertible Debt	Derivative Liability	Total
	\$	\$	\$
Balance, October 31, 2018	-	-	-
Additions	180,733	69,267	250,000
Interest expense	12,000	-	12,000
Accretion	24,112	-	24,112
Change in fair value of derivative liability	-	15,419	15,419
Balance, October 31, 2019	216,845	84,686	301,531
Interest expense	6,583	-	6,583
Accretion	15,513	-	15,513
Change in fair value of derivative liability	-	(51,117)	(51,117)
Gain on conversion	-	(64,696)	(64,696)
Conversion of convertible debt (Note 8)	(238,941)	31,127	(207,813)
Balance, October 31, 2020	-	-	-

10. RELATED PARTY TRANSACTIONS

Included in the Loss from Operations and Comprehensive Loss for the years ended October 31, 2020 and 2019, are the following amounts, which arose due to transactions with related parties:

	October 31, 2020	October 31, 2019
	\$	\$
Management fees from directors and key management	503,000	411,500
Development services paid to a company owned by a key management member	17,100	104,157

The Company had the following outstanding amounts as at October 31, 2020 and 2019 due to related parties:

	October 31, 2020	October 31, 2019
	\$	\$
Due to directors for management fees	236,652	114,652
Due to key management personnel for management fees	725,000	379,000
Principal	961,652	493,652
Debt discount reserve	(86,114)	(86,114)
Accretion interest expense	93,084	45,180
Total	968,623	452,718

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10. RELATED PARTY TRANSACTIONS (continued)

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 30, 2020. The deferral applies to accrued monthly compensation up to August 30, 2018 as well as accrued compensation going forward to April 30, 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 and bear no interest. The amounts due to related party were discounted at a market rate of 17% per annum to determine the fair value of the loan at the agreement date. Deferral of the repayment of amounts due to the above-noted related parties was extended to October 31, 2020. The due to related party discount of \$86,114 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 ended October 31, 2020 was \$47,904 (2019: \$41,180).

The Company also has a loan from a related party with a carrying value of \$37,299 (2019: \$29,965) as at October 31, 2020 (Note 12).

During the year ended October 31, 2020 related parties advanced \$22,016, net of repayments to the Company. These advances are unsecured, non-interest bearing and with no set terms of repayment. The balance outstanding as at October 31, 2020 is \$22,016.

During the year ended October 31, 2020, the Company was charged \$17,100 (2019: \$104,157) for development services by Inspired Networks Inc. a company owned by a key management member. Included in accounts payable as at October 31, 2020, is \$7,312 (2019: \$16,461) owing to Inspired Networks Inc. and \$11,047 owing to directors of the Company (Note 11).

	Amounts to Inspired Networks Inc. \$	Amounts owing to directors \$	Total \$
Balance, October 31, 2018	-	-	-
Additions	104,157	-	104,157
Repayments	(87,696)	-	(87,696)
Balance, October 31, 2019	16,461	-	16,461
Additions	17,100	11,047	28,147
Repayments	(26,249)	-	(26,249)
Balance, October 31, 2020	7,312	11,047	18,359

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	October 31, 2020 \$	October 31, 2019 \$
Accounts payable (Note 10)	188,463	97,884
Accrued expenses	20,000	20,000
	208,463	117,884

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12. 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% per annum 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, 2020 is \$37,299 (2019: \$29,965) after repayment of \$30,000 during the year ended October 31, 2019. The accretion expense recognized during the year ended October 31, 2020 was \$7,334 (2019: \$6,117).

13. REVENUES

Revenues consist of initial set-up fees covering the layout and user interface development to integrate the customer into Bloomkit and monthly subscription revenues. During the year ended October 31, 2020 \$nil was earned (October 31, 2019, 94% of revenues were earned from one customer). In April 2019, the Company amended its agreement with this customer, whereby the Company will be entitled to retain a 24.99% share of the gross profits from this customer. For the years ended October 31, 2020 and 2019, no amount has been recognized for the share of gross profits as there is no certainty over the amount that will be received.

14. LEASES

The Company had a lease contract for its office space with a lease term expiring on August 31, 2020. The discount rate used in the determination of the lease liability was 10% per annum. Set below are the carrying amounts of right-of-asset and lease liability recognized and the movements during the year on the adoption of IFRS 16 on November 1, 2019:

	Right-of-use asset	Lease liability
	\$	\$
As at November 1, 2019	-	-
Additions	30,013	30,013
Depreciation	(25,677)	-
Impairment	(4,336)	-
Accretion	-	1,091
Lease payments	-	(18,693)
As at October 31, 2020	-	12,411

During the year ended October 31, 2020, the Company terminated the lease and recorded an impairment of the right-of-use asset of \$4,336.

15. 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.

CANNAONE TECHNOLOGIES INC.

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company classifies its financial instruments into categories as follows: cash as financial assets at FVTPL, accounts receivable as financial assets at amortized cost; accounts payable, due to related parties, convertible debenture, and due to shareholder as financial liabilities at amortized cost; and derivative liability as financial liabilities at FVTPL.

The following is an analysis of the Company's financial assets and liabilities at fair value as at October 31, 2020. At October 31, 2020, only cash was measured at FVTPL.

October 31, 2020			
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	5,046	-	-
	5,046	-	-

October 31, 2019			
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	209,248	-	-
Derivative liability	-	-	(84,686)
	209,248	-	86,686

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 is 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, 2020, the Company's exposure to credit risk is the carrying value of the financial instruments. Credit risk is assessed as low.

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, 2020 in the amount of \$5,046, in order to meet short-term business requirements. As at October 31, 2020, the Company had current liabilities in the amount of \$1,211,513. Liquidity risk is assessed as high.

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, 2020, since the interest rates on the loan from shareholder are fixed, the Company has no exposure to interest rate risk.

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16. FINANCIAL INSTRUMENTS AND 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, 2020, the Company has no exposure to currency risk.

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% (2019: 27%) to the income for the year ended October 31, 2020 is reconciled as follows:

	October 31, 2020	October 31, 2019
	\$	\$
Loss before income taxes	(937,606)	(1,901,195)
Combined statutory rate	27%	27%
Expected income tax recovery	(253,154)	(513,323)
Tax effect of share issuance costs	-	(25,276)
Other non-deductible expenses	(1,558)	102,659
Effect of change in tax rate	-	(3,195)
Change in unrecognized deductible temporary differences	254,712	439,135
	-	-

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

	October 31, 2020	October 31, 2019
	\$	\$
Share issuance costs	15,450	20,790
Equipment	14,725	14,151
Intangible assets	32,475	7,169
Non-capital losses available for future period	800,534	566,362
	863,184	608,472
Unrecognized deferred tax assets	(863,184)	(608,472)
Net deferred tax assets	-	-

The Company has non-capital losses of \$2,964,940 available for carry-forward to reduce future years income for income tax purposes which begin to expire in 2036.

18. COMMITMENTS

On August 27, 2019, the Company entered into a non-binding Letter of Intent ("LOI") with Real Health Sciences Inc. ("Real Health"), whereby the Company will acquire 100% of the issued and outstanding shares of Real Health for consideration of common shares of the Company with a value of \$2,000,000. The deemed share price at the date of issuance was to be determined based on a 20% discount to the prevailing market price at the closing date. During the year ended 2020, through on-going due diligence it was determined that the transaction should not proceed as Real Health would not be able to achieve on certain deliverables and expectations underlying the acquisition. No definitive agreement was reached, and the transaction was abandoned during the year ended October 31, 2020.

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19. SUBSEQUENT EVENTS

On February 12, 2021, the Company settled \$961,651 of debt by way of the issuance of 12,822,009 common shares at \$0.075 per share.

On February 17, 2021, the Company closed a private placement and issued 22,335,000 units, at a price of \$0.10 per unit, for total gross proceeds of \$2,233,500. Each unit consists of one common share and one-half transferable common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of \$0.25 per share until February 17, 2023.