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**NOVATEQNI CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Month Period Ended July 31, 2018**

**(In United States dollars)**

**(UNAUDITED)**

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements for Novateqni Corporation have been prepared by management in accordance with International Financial Reporting Standards. These financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators.

**NOVATEQNI CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in United States Dollars)  
(Unaudited)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	July 31, 2018	October 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 33,071	\$ 73,812
Accounts receivable (note 8)	431,629	9,940
GST recoverable and other receivables	2,889	4,967
Prepaid expenses	35,820	12,250
Inventory and work in progress (note 3)	908,701	11,631
Income taxes receivable	10,202	1,134
	<b>1,422,312</b>	<b>113,734</b>
Property, plant and equipment, net (note 4)	<b>677</b>	<b>4,622</b>
<b>Total Assets</b>	<b>\$ 1,422,989</b>	<b>\$ 118,356</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	\$ 824,316	\$ 301,502
Customer deposits	105,884	69,072
Short term Loans	768,757	-
Due to a director (note 9)	-	286,732
	<b>1,698,957</b>	<b>657,306</b>
<b>Shareholders' Deficit</b>		
Share capital (note 5)	2,413,499	1,865,518
Accumulated other comprehensive loss	48,424	(19,394)
Warrants (note 5)	146,620	-
Contributed surplus	653,431	653,431
(Deficit) retained earnings	(3,537,942)	(3,038,505)
	<b>(275,968)</b>	<b>(538,950)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,422,989</b>	<b>\$ 118,356</b>

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

**Commitments and Contingencies** (Note 11)

**Subsequent Events** (Note 14)

Approved by the Board of Directors

Signed "Gerhard Mynhardt":  
\_\_\_\_\_  
Director

Signed "Larry Youell"  
\_\_\_\_\_  
Director

**NovaTekni Corporation**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in United States Dollars)  
(Unaudited)

	Three months ended July 31, 2018	Three months ended July 31, 2017	Nine months ended July 31, 2018	Nine months ended July 31, 2017
<b>Sales</b>	\$ 550,235	\$ 19,018	\$ 550,235	\$ 224,545
<b>Cost of sales</b>	(301,920)	(4,857)	(301,920)	(127,851)
	<b>248,315</b>	<b>14,161</b>	<b>248,315</b>	<b>96,694</b>
<b>Expenses</b>				
Professional fees	18,049	23,117	44,066	62,028
Bad debt expense	-	-	-	3,300
Depreciation	766	2,441	3,945	11,772
Share based payments	-	-	-	199,852
Management and consulting fees (note 9)	93,724	89,217	212,746	454,504
Listing and filing fees	6,526	4,131	21,137	29,200
Marketing	667	(113)	667	-
Research and development	2,538	3,051	43,412	26,610
Travel	6,575	7,821	19,686	17,669
Office and general	87,268	24,002	153,315	78,998
Salaries and wages	73,331	85,010	248,778	248,810
	<b>288,777</b>	<b>238,677</b>	<b>747,752</b>	<b>1,132,743</b>
<b>Loss before other income</b>	<b>(41,129)</b>	<b>(224,516)</b>	<b>(499,437)</b>	<b>(1,036,049)</b>
Other income (expense)	-	1,006	-	7,573
<b>Loss before income taxes</b>	<b>(41,129)</b>	<b>(223,510)</b>	<b>(499,437)</b>	<b>(1,028,476)</b>
Income tax expense	-	18,619	-	18,619
<b>Net loss to the common shareholders</b>	<b>(41,129)</b>	<b>(204,891)</b>	<b>(499,437)</b>	<b>(1,009,857)</b>
<b>Other comprehensive (loss) income</b>				
Items that may be reclassified subsequently to profit or loss				
Unrealized foreign exchange gain on translation of Novateqni Corporation and Novateqni South Africa	64,503	(25,454)	67,818	(19,830)
<b>Total comprehensive (loss) income</b>	<b>\$ 23,374</b>	<b>\$ (230,345)</b>	<b>\$ (431,619)</b>	<b>\$ (1,029,687)</b>
<b>Weighted average number of common shares outstanding – basic and diluted (note 6)</b>	<b>37,947,456</b>	<b>32,236,815</b>	<b>36,394,291</b>	<b>32,236,815</b>
<b>Basic and fully diluted loss per share (note 6)</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>

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

# NovaTeqni Corporation

(Expressed in United States Dollars)

(Unaudited)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIT)

### For the Nine Month Period Ended July 31, 2018

	Shares #	Warrants #	Share Capital \$	Warrants \$	Accumulated Other Comprehensive Loss \$	Retained Earnings/ (Deficit) \$	Contributed Surplus \$	Total
Balance , October 31, 2017	32,236,815	-	\$1,865,518	\$ -	\$ (19,394)	\$(3,038,505)	\$ 653,431	\$ (538,950)
Foreign exchange	-	-	-	-	67,818	-	-	67,818
Issuance of shares for debt	2,535,347	-	295,826	-	-	-	-	295,826
Issuance of shares pursuant to private placement	3,175,294	-	252,155	-	-	-	-	252,155
Issuance of warrants pursuant to private placement	-	3,175,294	-	146,620	-	-	-	146,620
Net loss for the period	-	-	-	-	-	(499,437)	-	( 499,437)
<b>Balance July 31, 2018</b>	<b>37,947,456</b>	<b>3,175,294</b>	<b>\$2,413,499</b>	<b>\$ 146,620</b>	<b>\$ 48,424</b>	<b>\$(3,537,942)</b>	<b>\$ 653,431</b>	<b>\$ (275,968)</b>

### For the Nine Month Period Ended July 31, 2017

	Shares #	Warrants #	Share Capital \$	Warrants \$	Accumulated Other Comprehensive Loss \$	Deficit \$	Contributed Surplus \$	Total
Balance, October 31, 2016	32,236,815	454,747	\$1,865,518	\$ 36,640	\$ (17,073)	\$(2,044,508)	\$ 460,900	\$ 301,477
Unrealized foreign exchange gain	-	-	-	-	(19,830)	-	-	(19,830)
Issuance of stock options	-	-	-	-	-	-	199,852	199,852
Net loss for the period	-	-	-	-	-	(1,009,857)	-	(1,009,857)
<b>Balance, July 31, 2017</b>	<b>32,236,815</b>	<b>454,747</b>	<b>\$1,865,518</b>	<b>\$ 36,640</b>	<b>\$ (36,903)</b>	<b>\$(3,054,365)</b>	<b>\$ 660,752</b>	<b>\$ (528,358)</b>

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

# NovaTeqni Corporation

(Expressed in United States Dollars)

(Unaudited)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine-months ended July 31, 2018	Nine-months ended July 31, 2017
<b>Operating activities</b>		
Net loss for the period	\$ (499,437)	\$ (1,009,857)
Items not involving cash		
Share based payments	-	199,852
Depreciation	3,945	11,772
Bad debt expense	-	3,300
Changes in non-cash working capital:		
Accounts and goods and services tax receivable	(419,611)	260,996
Due to/from NovaMeric (Proprietary) Ltd.	-	983
Due from director	-	192,669
Inventory	(897,070)	1,568
Prepaid expenses	(23,691)	12,040
Customer deposits	36,669	289,608
Accounts payable and accrued liabilities	536,571	(132,004)
Income taxes receivable	(15,049)	(21,085)
Cash flows used in operating activities	(1,277,673)	(190,158)
<b>Investing activities</b>		
Purchase of property and equipment	-	-
Cash flow used in investing activities	-	-
<b>Financing activities</b>		
Due to director	(295,826)	286,900
Issuance of shares for debt	295,826	-
Issuance of Units pursuant to private placement, net	398,776	-
Short term loans	768,757	-
Cash flows provided by financing activities	1,167,533	286,900
<b>(Decrease) Increase in cash</b>	<b>(110,140)</b>	<b>97,742</b>
<b>Effect of foreign exchange on cash</b>	<b>69,399</b>	<b>(1,723)</b>
<b>Cash, beginning of period</b>	<b>73,812</b>	<b>23,252</b>
<b>Cash, end of period</b>	<b>\$ 33,071</b>	<b>\$ 118,271</b>

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

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
(Expressed in United States Dollars)  
(Unaudited)

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**1. NATURE OF BUSINESS AND QUALIFYING TRANSACTION**

**Nature of Business**

Novateqni Corporation (the "Company" or "Novateqni") carries on business in the development and sales of technology-based solutions and related hardware. The Company was incorporated under the Business Corporations Act (Alberta) on July 31, 2012. Effective March 27, 2015, the Company's name was changed from Hombre Capital Inc ("Hombre") to Novateqni Corporation. NovaMeric South Africa is the ultimate parent of Novateqni Corporation.

Novateqni is a publicly traded company with registered office at: 1250, 639 – 5th Avenue S.W., Calgary, Alberta, T2P 0M9. The Company's common shares are listed on the TSX Venture Exchange ("TSXV" or the "Exchange") under the symbol NTQ.

The condensed consolidated financial statements were approved by the Board of Directors on October 1, 2018.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These condensed consolidated interim financial statements for the quarter ended July 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC") in effect at the closing date of July 31, 2018. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as were used for the Company's Annual Financial Statements for the years ended October 31, 2017 and October 31, 2016. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements dated October 31, 2017.

**Basis of measurement**

These condensed consolidated interim financial statements were prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

**Going concern**

The establishment of new markets for technology companies and the winning of tenders involves significant financial risks. The success of the Company is dependent upon the winning of tenders and its ability to establish new markets for its products and to bring such products into profitable production. The Company is subject to a number of risks, including contractual risks, obsolescence risks, competition risks, legal risks and political risks, and other factors beyond the Company's control. The Company has not yet generated enough revenue to date to sustain all operations. The Company incurred a net loss of \$499,437 during the quarter ended July 31, 2018 and has an accumulated deficit of \$3,537,942. As of July 31, 2018, the Company has cash resources of \$33,071 which is considered insufficient to meet its obligations for at least twelve months from the end of the reporting period.

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
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(Unaudited)

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

Management considers that the current economic environment is difficult and the outlook for companies bringing new unproven products to market presents significant challenges in terms of raising funds through the issuance of shares or issuing of debt. To the extent necessary, the Company has relied on its ability to raise funds via equity issuances in order to finance its operations. The Company has been successful in raising funds in previous years and plans to continue to complete equity or debt issuances in the upcoming year. However, there can be no assurance the Company will continue to be able to raise funds under suitable terms. In addition, management has instituted measures to preserve cash through significantly decreasing its corporate costs. Subsequent to quarter end, the due from director was settled and the director also advanced additional funds to the Company to meet their current cash requirements.

Management has concluded that the combination of these circumstances' casts substantial doubt on the ability of the Company to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

**Functional and presentation currency**

The presentation currency of Novateqni Corporation is United States dollars ("US dollars" or "US").

The functional currency of Novateqni Hong Kong Ltd. and Novateqni USA is US dollars. The functional currency of Novateqni Corporation is Canadian dollars ("CDN dollars"). The functional currency of Novateqni South Africa is South African Rand.

**Basis of consolidation**

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Novateqni Hong Kong Limited, a company registered in Hong Kong; Novateqni USA, a company registered in the USA; and Novateqni South Africa, a company registered in South Africa. The subsidiaries are fully consolidated from the date of acquisition or formation, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. The Company has consolidated the assets, liabilities, revenues and expenses of its subsidiaries after the elimination of inter-company transactions and balances.

**Significant accounting judgments and estimates**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are discussed below:

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

The Company makes allowance for doubtful accounts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

The Company measures the cost of non-cash stock based compensation transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for non-cash stock based compensation 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 and dividend yield of the share option. The Company measures the cost of non-cash stock based compensation transactions with consultants by reference to the fair value of the services to be performed.

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 determination is made.

**Future Accounting Pronouncements**

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements, but which may affect the consolidated financial statements are listed below.

IFRS 9, Financial Instruments ("IFRS 9"). The IASB has deferred the mandatory effective date for IFRS 9 to annual periods beginning on or after January 1, 2018. Earlier application is permitted. If an entity applies this IFRS in its financial statements for a period beginning before January 1, 2018, it shall disclose that fact and at the same time apply the consequential amendments to other IFRSs. An entity that did not already apply IFRS 9 as issued in 2009 must apply IFRS 9 as issued in 2010 in its entirety if electing early application. If an entity has already early applied IFRS 9 as issued in 2009, prior to the amendments issued in 2010, the entity may elect to continue to apply IFRS 9 as issued in 2009.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued a new standard on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue.

IFRS 16 replaces IAS 17, Leases; and introduces new rules for accounting for leases which will result in substantially all lessee leases being recorded on the consolidated statement of financial position. The standard is effective for annual periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration issued by the IASB in December 2016, provides guidance on the issue of the "date of the transaction" for the purpose of determining the exchange rate at the time of the transaction, to apply to transactions that are within the scope of IAS 21, Effects of Changes in Foreign Exchange Rates, which involve the receipt or payment of an advance consideration in a foreign currency. The interpretation applies for annual reporting periods beginning on or after January 1, 2018.

IFRIC 23 Uncertainty over income tax treatments issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019.

The Company has not yet determined the impact on its consolidated financial statements from the adoption of these future accounting pronouncements.

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
(Expressed in United States Dollars)  
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**3. INVENTORY**

Inventory consist of the following components as at April 30, 2018 and October 31, 2017

	July 31, 2018	October 31, 2017
Spare Parts	\$ -	\$ -
Finished Goods	-	-
Work in Progress	<b>908,701</b>	11,631
	<b>\$ 908,701</b>	<b>\$ 11,631</b>

**4. PROPERTY AND EQUIPMENT AND DEVELOPMENT COSTS**

Cost	Property and Equipment	Development Costs
Balance, October 31, 2017	\$ 108,618	\$ 22,863
Additions	-	-
<b>Balance, July 31, 2018</b>	<b>\$ 108,618</b>	<b>\$ 22,863</b>
Accumulated Depreciation		
Balance October 31, 2017	\$ (103,996)	\$ (22,863)
Depreciation	(3,945)	-
<b>Balance, July 31, 2018</b>	<b>\$ (107,941)</b>	<b>\$ (22,863)</b>
<b>Carrying Value, July 31, 2018</b>	<b>\$ 677</b>	<b>\$ -</b>
Carrying Value October 31, 2017	\$ 4,622	\$ -

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
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(Unaudited)

**5. SHARE CAPITAL**

**(a) Capital**

**Authorized:** unlimited Class A common shares

	Number	Amount
<b>Balance, October 31, 2017</b>	<b>32,236,815</b>	<b>\$ 1,865,518</b>
<b>Shares issued for debt (i)</b>	<b>2,535,347</b>	<b>295,826</b>
<b>Shares issued pursuant to private placement, net (ii)</b>	<b>3,175,294</b>	<b>252,155</b>
	<b>37,947,456</b>	<b>\$ 2,413,499</b>

- (i) During the quarter, the Chief Executive Officer received 2,535,347 shares in settlement of \$295,826 (CDN\$380,302) loans to the Company.
- (ii) On February 8, 2018 the Company issued 3,175,294 Units at a price of \$0.17 CDN per Unit. Each Unit consisted of one common share in the capital of Novateqni (a "**Common Share**") and one transferrable common share purchase warrant (a "**Warrant**"). Each Warrant may be exercised to acquire one Common Share at a price of \$0.23 per share for a period of 24 months from the date of issuance of the Warrant. The fair value of the warrants is 198,471.

**(b) Stock option plan**

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase Class A Common Shares, provided that the number of Class A Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Class A Common Shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. During the quarter ended of July 31, 2018 no stock options were issued.

A summary of the Company's stock option activity is as follows:

	Number of Stock Options	Weighted Average Exercise Price (CDN)
<b>Outstanding, October 31, 2017 and July 31, 2018</b>	<b>2,700,000</b>	<b>\$ 0.31</b>

The weighted average remaining contractual life and weighted average exercise price of stock options outstanding and of options exercisable as at July 31, 2018 are as follows:

	<b>Stock Options Outstanding</b>			<b>Stock Options Exercisable</b>	
	Number Outstanding	Weighted Average Exercise Price (CDN)	Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price (CDN)
Exercise Price (CDN)					
\$0.37	1,375,000	\$0.37	1.28	1,375,000	\$0.37
\$0.25	1,325,000	0.25	3.56	1,325,000	0.25
<b>Total</b>	<b>2,700,000</b>	<b>\$0.31</b>	<b>2.40</b>	<b>2,700,000</b>	<b>\$0.31</b>

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
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**5. SHARE CAPITAL** (continued from previous page)

The fair value of the stock option issued in 2017 to Directors, Officers and employees was determined using the Black-Scholes model based on the following assumptions:

	1,325,000
	Options
Risk free interest rate	1.17%
Dividend yield	Nil
Forfeiture rate	0%
Expected stock volatility	110.72%
Weighted-average expected life (years)	5.0

During the Nine month ended July 31, 2017, a total of \$199,273 was recognized as share based payments for the 1,325,000 stock options issued with immediate vesting, with the corresponding increase in contributed surplus

The fair value of the stock option issued in 2015 to Directors, Officers and employees was determined using the Black-Scholes model based on the following assumptions:

	1,875,000
	Options
Risk free interest rate	1.5%
Dividend yield	Nil
Forfeiture rate	0%
Expected stock volatility	94.00%
Weighted-average expected life (years)	5.0

During the nine month ended July 31, 2017, a total of \$579 was recognized as compensation expense for the 775,000 stock options issued with vesting provisions to various employees during the year ended October 31, 2015, with the corresponding increase in contributed surplus.

(c) **Warrants**

In conjunction with a private placement that close February 8, 2018, the Company issues 3,175,294 warrants. Each warrant may be exercised to acquire one common share at a price of \$0.23 CDN per share for a period of 24 months from the date of issuance of the warrant.

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (CDN)
<b>Outstanding, October 31, 2017</b>	-	\$ -
<b>Issued pursuant to private placement of units</b>	<b>3,175,294</b>	<b>0.23</b>
	<b>3,175,294</b>	<b>\$ 0.23</b>

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
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**5. SHARE CAPITAL** (continued from previous page)

The weighted average remaining contractual life and weighted average exercise price warrants outstanding and of warrants exercisable as at July 31, 2018 are as follows:

Exercise Price (CDN)	Warrants Outstanding			Warrants Exercisable	
	Number Outstanding	Weighted Average Exercise Price (CDN)	Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price (CDN)
\$0.23	3,175,294	\$0.23	1.78	3,175,294	\$0.23
<b>Total</b>	<b>3,175,294</b>	<b>\$0.23</b>	<b>1.53</b>	<b>3,175,294</b>	<b>\$0.23</b>

The fair value of the warrants issued during the quarter was determined using the Black-Scholes model based on the following assumptions:

Risk free interest rate	1.83%
Dividend yield	Nil
Forfeiture rate	0%
Expected stock volatility	118.36%
Weighted-average expected life (years)	2.0

**6. EARNINGS (LOSS) PER SHARE**

The calculation of basic and diluted earnings (loss) per share for the quarter ended July 31, 2018 was based on the loss attributable to common shareholders of \$499,437 (2017 Loss - \$1,009,857) and the weighted average number of common shares outstanding of 36,394,291 (2017 - 32,236,815). Diluted earnings (loss) per share did not include the effect of 3,175,294 warrants (2017 - 58,500) and 2,700,000 options (2017 - 3,200,000) as they are anti-dilutive.

**7. FINANCIAL RISK FACTORS**

The Company's risk exposure and the impact on its financial instruments are summarized below:

**Credit Risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited the cash with reputable Canadian and Hong Kong financial institutions, from which management believes the risk of loss is minimized. As at July 31, 2018 the Company was subject to concentration of credit risk as 99.64% of its accounts receivable was from one customer however the Company carries credit insurance to mitigate the risk of non-payment. (October 31, 2017 - 100%). The Company continuously evaluates that financial condition and credit worthiness of all customers and potential customers in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in income or loss.

**Liquidity Risk**

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at July 31, 2018, the Company has current assets of \$1,422,312 (October 31, 2017 - \$113,734) to settle current financial liabilities of \$1,698,957 (October 31, 2017 - \$657,306). Accounts payable and accrued liabilities generally have contractual maturities of 30 days and they are all current except for management and consulting fees.

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
(Expressed in United States Dollars)  
(Unaudited)

**7. FINANCIAL RISK FACTORS** (continued from previous page)

**Interest Rate Risk**

The Company's current policy is to invest excess cash in short term guaranteed investment certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments.

**Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at July 31, 2018, the Company had \$1,779,668 in current assets (October 31, 2017 – \$31,515) and \$1,828,589 in current liabilities (October 31, 2017 - \$562,748) denominated in Canadian dollars. A 10% change in exchange rates would cause an increase/decrease of approximately \$50,000 to comprehensive income (loss). As at July 31, 2018, the Company had R527,777(October 31, 2017 – R524,624) in current assets and R1,453,608(October 31, 2017 – R844,073) in current liabilities denominated in South African Rand. A 10% change in exchange rates would cause an increase/decrease of approximately \$20,000 to comprehensive loss.

**8. TRADE RECEIVABLES**

Trade receivables are unsecured and non-interest bearing and are on terms subject to the specific contract entered into with the customer.

The aging of the trade receivables were as follows as at July 31, 2018 and October 31, 2017:

	July 31, 2018	October 31, 2017
1-30 days	\$ 430,077	\$ -
30-60 days	15	-
61-90 days	-	-
Greater than 90 days	1,537	9,940
Allowance for doubtful accounts	-	-
	\$ 431,629	\$ 9,940

In determining the recoverable amount of a trade receivable, the Company performed a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. Based on the account balance greater than 90 days, the Company determined that an impairment allowance of \$Nil (October 31, 2017 - \$Nil) was necessary in respect of certain trade receivables. Bad debt expense of \$Nil (July 31, 2017 - \$3,300) has been recorded in the consolidated statements of loss and comprehensive loss. All other account received balances that are past due are not impaired.

**9. RELATED PARTY TRANSACTIONS**

- i) The remuneration expense of directors and other members of key management personnel, or companies under their control, during the period was as follows:

	2018	2017
Consulting fees	\$ 150,189	\$ 214,778

As of July 31, 2018, related party amounts included in accounts payable and accrued liabilities was \$131,994.

- ii) During the period ended October 31, 2017, the Chief Executive Officer/Director loaned the Company funds for operations. The loan was non-interest bearing and had no set repayment terms. During the previous quarter the amount due to the Chief Executive Officer/Director \$295,826 (CDN\$380,302) was settled for 2,535,347 shares of the Company.

All related party transactions are recorded at fair value.

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018  
(Expressed in United States Dollars)  
(Unaudited)

**10. GEOGRAPHICAL SEGMENTED INFORMATION**

The Company's primary business is the provision of technology based solution and supply of related electronic hardware. It currently markets its services out of Hong Kong, China. This is currently the Company's only operating segment. Certain sales during the previous year were allocated to Novateqni South Africa as requested by the Company's South African customer. Novateqni South Africa is the research and development center for the Company and does not typically participate in sales transactions. In the current period a sale was allocated to Novateqni Corporation although Novateqni Corporation does not typically participate in sales transactions.

The tables below present the sales to external customers for the quarter ended July 31, 2018 and July 31, 2017 and the total non-current assets attributable to the Company's geographical segments as at July 31, 2018 and October 31, 2017:

	July 31, 2018	July 31, 2017
Sales to external customers:		
Country of domicile		
Malawi	\$ 4,562	\$ 224,545
South Africa	-	1,637
Central African Republic	-	13,391
Burkina Faso	483,659	
United States	2,500	
Lesotho	59,514	
	<u>\$ 550,235</u>	<u>\$ 224,545</u>

	July 31, 2018	October 31, 2017
Total non-current assets:		
China	229	2,537
South Africa	448	2,085
	<u>\$ 677</u>	<u>\$ 4,622</u>

**11. COMMITMENTS AND CONTINGENCIES**

The Company is committed to operating lease payments totaling 167,541 South African Rand (\$12,745) for its Stellenbosch office. The lease expires March 31, 2019. In addition, the Company is committed to operating lease payments totaling 849,909 South Africa Rand (\$64,654) for its office in Johannesburg. The lease expires March 31, 2020. The operating lease payments for the next four years are as follows:

2018	\$ 23,214
2019	44,120
2020	10,064
	<u>\$ 77,398</u>

**12. CAPITAL DISCLOSURES**

The Company's capital is composed of cash and shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available in order to support the development of its technology based solutions. In order to carry out the expansion of the Company's product lines and pay for administrative costs, the Company may spend its existing working capital and may raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements.

**NOVATEQNI CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2018

(Expressed in United States Dollars)

(Unaudited)

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**13. ECONOMIC DEPENDENCE**

The Company's revenue was earned primarily from one major customer during the quarter ended July 31, 2018. The one customers comprised 99.6% of total revenue.