
NOVATEQNI TECHNOLOGY CORPORATION

(FORMERLY “NOVATEQNI CORPORATION”)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended July 31, 2019
(In United States dollars)
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for Novateqni Technology 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 TECHNOLOGY CORPORATION

(FORMERLY "NOVATEQNI CORPORATION")

(in United States Dollars)

(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	July 31, 2019	October 31, 2018
Assets		
Current assets		
Cash	\$ 42,156	\$ 52,560
Trade receivables, net (note 9)	-	3,453
Goods and services tax recoverable	2,271	4,201
Prepaid expenses	9,000	31,390
Inventory (note 4)	-	23,291
Income taxes receivable	-	8,373
Total Assets	\$ 53,427	\$ 123,268
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,680	\$ 200,283
Customer deposits	-	97,685
Due to related parties (note 10)	1,597	33,386
Loans payable (note 5, 10)	223,482	-
Warranty provision	24,993	25,000
Total Liabilities	289,752	356,354
Shareholders' Deficiency		
Share capital (note 6)	2,481,913	2,413,499
Warrants	146,620	146,620
Accumulated other comprehensive loss (income)	(39,987)	20,323
Contributed surplus	653,431	653,431
Deficit	(3,478,302)	(3,466,959)
Total Shareholders' Deficiency	(236,325)	(233,086)
Total Liabilities and Shareholders' Deficiency	\$ 53,427	\$ 123,268

Going Concern (Note 2)

Subsequent Events (Note 15)

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

Approved by the Board of Directors

Signed "Simon Cheng"

Director

Signed "Mark Ferguson"

Director

NOVATEQNI TECHNOLOGY CORPORATION

(FORMERLY "NOVATEQNI CORPORATION")

(in United States Dollars)

(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three months ended July 31, 2019	Three months ended July 31, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Sales	\$ -	\$ 483,659	\$ -	\$ 483,659
Cost of Sales	-	(294,649)	-	(294,649)
	-	189,010	-	189,010
Expenses				
Interest expense	5,053	-	5,053	-
Listing and filing fees	23,679	6,526	34,356	21,137
Management and consulting fees (note 10)	9,577	48,724	46,246	97,746
Office and general	6,657	5,562	21,668	11,298
Professional fees	16,935	11,474	37,029	23,483
Share-based payments	37,658	-	37,658	-
Travel	5	(34)	6,733	3,697
	(99,564)	(72,252)	(188,743)	(157,361)
Net income (loss) from operations	(99,564)	116,758	(188,743)	31,649
Foreign exchange	(2,401)	(62,392)	(1,679)	(83,729)
Extinguishment of accounts payable	18	-	21,564	-
Net income (loss) to the common shareholders from continuing operations	(101,947)	54,366	(168,858)	(52,080)
Loss from discontinued operations, net of tax (note 14)	-	(95,495)	-	(447,357)
Gain on disposal of subsidiaries (note 14)	-	-	157,515	-
Net loss to the common shareholders	\$(101,947)	\$ (41,129)	\$(11,343)	\$ (499,437)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Unrealized foreign exchange gain (loss) on translation	(4,796)	64,503	(1,624)	67,818
Reclassification of accumulated translation gain on disposal of subsidiaries	-	-	(58,686)	-
Total comprehensive income (loss)	\$(106,743)	\$23,374	\$(71,653)	\$ (431,619)
Weighted average number of common shares outstanding – basic and diluted (note 7)	3,952,347	3,794,746	3,949,104	3,639,429
Basic and fully diluted (loss) earnings per share from continuing operations (note 7)	\$ (0.03)	\$ 0.01	\$(0.00)	\$ (0.01)
Basic and fully diluted (loss) earnings per share from discontinued operations (note 7)	\$ -	\$ (0.01)	\$ -	\$ (0.14)

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

For the nine months ended July 31, 2019

	Number of shares	Number of warrants	Share capital	Warrants	Accumulated Other Comprehensive Loss (Income)	Deficit	Contributed Surplus	Total
Balance – October 31, 2017	3,223,682	-	\$1,865,518	\$ -	\$ (19,394)	\$(3,038,505)	\$653,431	\$ (538,950)
Unrealized foreign exchange loss on translation to presentation currency	-	-	-	-	67,818	-	-	67,818
Issuance of shares for debt	253,535	-	295,826	-	-	-	-	295,826
Issuance of shares	317,529	-	252,155	-	-	-	-	252,155
Issuance of warrants	-	317,529	-	146,620	-	-	-	146,620
Net loss for the period	-	-	-	-	-	(499,437)	-	(499,437)
Balance – July 31, 2018	3,794,746	317,529	\$2,413,499	\$ 146,620	\$ 48,424	\$(3,537,942)	\$653,431	\$ (275,968)
Balance – October 31, 2018	3,794,746	317,529	\$2,413,499	\$ 146,620	\$20,323	\$(3,466,959)	\$653,431	\$(233,086)
Unrealized foreign exchange gain on translation to presentation currency	-	-	-	-	(1,624)	-	-	(1,624)
Reclassification of accumulated translation on sale of subsidiaries	-	-	-	-	(58,686)	-	-	(58,686)
Exercise of stock options	225,000	-	68,414	-	-	-	(37,658)	30,756
Share-based payments	-	-	-	-	-	-	37,658	37,658
Net loss for the period	-	-	-	-	-	(11,343)	-	(11,343)
Balance – July 31, 2019	4,019,746	317,529	\$2,481,913	\$ 146,620	\$ (39,987)	\$(3,478,302)	\$653,431	\$ (236,325)

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

NOVATEQNI TECHNOLOGY CORPORATION

(FORMERLY "NOVATEQNI CORPORATION")

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Cash flow used in operating activities		
Net loss from continuing operations	\$ (11,343)	\$ (52,080)
Net loss from discontinued operations	-	(447,357)
Add (deduct) non-cash items		
Gain on disposal of subsidiaries	(157,515)	-
Share-based payments	37,658	-
Depreciation	-	3,945
Changes in non-cash working capital:		
Trade and GST receivables	3,691	(419,611)
Inventory	-	(897,070)
Prepaid expenses	16,355	(23,691)
Customer deposits	-	36,669
Accounts payable and accrued liabilities	(36,307)	536,571
Taxes receivable	-	(15,049)
	(147,461)	(1,277,673)
Cash flow used in investing activities		
Cash relinquished on disposal of subsidiaries	(75,963)	-
	(75,963)	-
Cash flow provided by financing activities		
Proceeds from loans payable	363,788	768,757
Repayment of loans payable	(159,807)	-
Proceeds from exercise of stock options	30,756	-
Issuance of shares pursuant to private placement	-	398,776
	234,737	1,167,533
Change in cash and cash equivalents	11,313	(110,140)
Effect of foreign exchange on cash	(21,717)	69,399
Cash and cash equivalents, beginning of period	52,560	73,812
Cash and cash equivalents, end of period	\$ 42,156	\$ 33,071

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NOVATEQNI TECHNOLOGY CORPORATION (FORMERLY "NOVATEQNI CORPORATION")
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Expressed in United States Dollars)

(Unaudited)

1. NATURE OF BUSINESS

Nature of Business

Novateqni Technology Corporation (the "Company" or "Novateqni") (formerly "Novateqni Corporation") 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. Effective June 24, 2019, the Company's name was changed from Novateqni Corporation to Novateqni Technology Corporation and completed the continuation under the Business Corporations Act (British Columbia).

Novateqni is a publicly traded company with registered office of 2200 - 885 West Georgia Street, Vancouver, BC, V6C 3E8 and head office of 510 - 580 Hornby Street, Vancouver, BC, V6C 3B6. The Company's common shares are listed on the TSX Venture Exchange ("TSXV" or the "Exchange") under the symbol NTQ and are also listed on the OTCQB under the symbol NVTQF.

During the period ended July 31, 2019, the Company consolidated its common shares 10:1 basis. These condensed consolidated interim financial statements reflect this consolidation retroactively.

The condensed consolidated interim financial statements were approved by the Board of Directors on September 27, 2019.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements for the period ended July 31, 2019 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting in effect at the closing date of July 31, 2019. 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, 2018 and October 31, 2017. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements dated October 31, 2018.

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 has an accumulated deficit of \$3,478,302. As of July 31, 2019 the Company has cash resources of \$42,156 which is considered insufficient to meet its obligations for at least twelve months from the end of the reporting period.

NOVATEQNI TECHNOLOGY CORPORATION (FORMERLY “NOVATEQNI CORPORATION”)
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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. 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 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. In order to cut corporate costs and improve overall profitability, during the period ended July 31, 2019, the Company disposed of all of its subsidiaries to go back to an outsourcing model for its products. As a first step to outsourcing, the Company is in the process of transferring certain contracts to Novateqni South Africa (Pty) Limited after the sale and it will receive a 5% royalty on all sales under the contracts transferred. The Company will not be required to fund or execute any purchase orders received under those contracts unless it is requested to do so on a case by case basis with terms to be negotiated.

Management has concluded that the combination of these circumstances cast significant 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 Technology Corporation is United States dollars (“US dollars” or “US”).

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

Basis of consolidation

The condensed consolidated interim financial statements included 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 were fully consolidated from the date of acquisition or formation, being the date on which the Company obtained control, and continued to be consolidated until the date that such control ceased which was November 1, 2018 (see note 14). 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 up until the loss of control.

Significant accounting judgments and estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 condensed consolidated interim financial statements are discussed below:

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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.

Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset or disposal group and the sale expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell ("FVLCTS"). If the FVLCTS is lower than the carrying amount, an impairment loss is recognized in the consolidated statement of operations. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense. Non-current assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Company's consolidated balance sheet.

A disposal group qualifies as a discontinued operation if it is a component of the Company that either has been disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after

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

New and amended IFRS standards that are effective for the current year

The Company has adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) with a date of initial application of November 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied IFRS 15 using the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at November 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18.

The Company applied IFRS 15 using the practical expedient under which the Company elected to apply IFRS 15 retrospectively only to contracts that were not completed at the date of initial application. The Company also applied the practical expedient whereby contracts that begin and end in the same annual reporting period.

Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

The following is a description of principal activities where the Company generates revenue. The Company has disclosed the nature, timing of satisfaction of performance obligations and significant payment terms.

Product Sales

Revenue from product sales is recognized when the Company transfers control of the product. Control of the product transfers upon shipment of the product to the customer or when the product is made available to the customer, provided transfer of title to the customer occurs and the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped.

The transaction price is documented on the sales invoice and agreed to by the customer. Payment is generally due at the time of delivery, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

Contract Revenue

Revenues from contracted services are generally recognized at the point in time the contracted services are performed. Contract services are mainly derived from development services provided by the Company to its partners and for service and support.

Revenues earned from contract services are billed when the related services are complete. Customers are usually required to make payment within thirty days of billing.

The timing of revenue recognition may differ from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

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

Contract Costs

The Company recognizes and amortizes the incremental costs of obtaining a contract when incurred consistent with the transfer to the customer of the related sale.

There was no impact on the Company's condensed consolidated interim financial statements on the adoption of IFRS 15.

Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") which replaced IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard using the retrospective approach outlined in the standard. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities except for equity securities as described below. The standard also had negligible impact on the carrying amounts of the Company's financial instruments at the transition date.

The following summarizes the significant changes in IFRS 9 compared to IAS 39:

- (i) IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. The Company designated its equity securities such as its investment in FEP as financial assets at fair value through other comprehensive income ("FVTOCI"), where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. As a result of adopting IFRS 9, the net change in fair value of the equity securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net income (loss) in the statements of comprehensive income (loss). Realized gains and losses on securities derecognized prior to January 1, 2018 have not been restated in prior year comparatives.
- (ii) The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of the Company's financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of customer default.

Future Accounting Pronouncements

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

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

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 23 Uncertainty Over Income Tax Treatments

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 condensed consolidated interim financial statements from the adoption of these future accounting pronouncements

3. CHANGES IN ACCOUNTING POLICIES

IFRS 15 - Revenue from Contracts with Customers

The Company has adopted IFRS 15 with a date of initial application of November 1, 2018. The details of the significant changes and quantitative impact of the changes are set out below.

Product Sales

There are no significant changes to the Company's revenue recognition policy attributable to product sales. The Company is now required to disclose the revenue expected to be recognized in the future related to performance that are unsatisfied (or partially unsatisfied) at the reporting date; specifically as it relates to minimum purchase obligations.

There was no impact of adopting IFRS 15 on the Company's Condensed Interim Statements of Financial Position as at November 1, 2018

IFRS 9 - Financial Instruments

The Company has adopted IFRS 9 which resulted in changes in accounting policies, but noted no transitional adjustments to the carrying amounts of the financial assets and liabilities as of November 1, 2018. The details and quantitative impact of the changes in accounting policies are disclosed below.

The accounting policies were changed to comply with IFRS 9 as issued by the IASB in July 2014. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, *Financial Instruments: Disclosures*.

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3. CHANGES IN ACCOUNTING POLICIES (continued from previous page)Classification and Measurement of Financial Instruments

On January 1, 2018, the Company assessed the classification and measurement of the financial instruments held at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories.

There was no transitional impact to the Company's opening balance of equity as at November 1, 2018.

Impairment of Financial Assets

The following financial assets are subject to IFRS 9's new, expected credit loss model:

- Accounts receivable for product sales, license revenue and contract revenue
- Contract assets for license revenue
- Cash equivalents and short-term investments

There was no impact to the Company's opening balance of equity as at November 1, 2018, as a result of the change in impairment methodology.

4. INVENTORY

Inventory consist of the following components as at July 31, 2019 and October 31, 2018

	July 31, 2019	October 31, 2018
Work in Progress	\$ -	23,291

5. LOANS PAYABLE

During the period ended July 31, 2019, the Company entered into loans with a third party for \$222,301 (October 31, 2018 - \$nil) that accrues interest at 10% per annum of which \$3,797 was repaid during the period. As at July 31, 2019, the Company had recorded interest payable of \$4,978 (2018 - \$nil).

6. SHARE CAPITAL**(a) Capital**

Authorized: unlimited Class A common shares

As at July 31, 2019, the Company had 4,019,746 shares issued and outstanding. During the period ended July 31, 2019, the Company issued 225,000 shares from the exercise of stock options for proceeds of \$30,756.

(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.

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6. SHARE CAPITAL (continued from previous page)

During the period ended July 31, 2019, the Company granted 225,000 stock options at a weighted average exercise price of CDN\$0.18 per share and recorded share-based payments of \$37,658.

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

	Number of Stock Options	Weighted Average Exercise Price (CDN)
Outstanding, October 31, 2018	270,000	\$ 3.10
Granted	225,000	0.18
Exercised	(225,000)	0.18
Forfeited	(270,000)	3.10
Outstanding July 31, 2019	-	\$ -

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the periods ended July 31, 2019 and 2018:

	2019	2018
Risk-free interest rate	1.52%	-
Expected life of options	3 years	-
Expected annualized volatility	207.13%	-
Expected dividend rate	-	-
Fair value per option (CDN)	\$0.22	-

(c) Warrants

In conjunction with a private placement that closed February 8, 2018, the Company issued 317,529 warrants. Each warrant may be exercised to acquire one common share at a price of \$2.30 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\$)	Total (\$USD)
Outstanding October 31, 2017	-	-	-
Issued pursuant to private placement of units	317,529	\$ 2.30	146,620
Outstanding, October 31, 2018 and July 31, 2019	317,529	\$ 2.30	146,620

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6. Share Capital (continued from previous page)**(c) Warrants** (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, 2019 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)
\$2.30	317,529	\$2.30	0.77	317,529	\$2.30
Total	317,529	\$2.30	0.77	317,529	\$2.30

The fair value of the warrants issued during the year ended October 31, 2018 was determined using the Black-Scholes model based on the following assumptions:

Risk free interest rate	1.83%
Dividend yield	Nil
Forfeiture rate	0%
Stock price	\$2.50
Expected stock volatility	118.36%
Weighted-average expected life (years)	2.0

7. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the quarter ended July 31, 2019 was based on the loss from continuing operations attributable to common shareholders of \$11,343 (2018 - \$499,437) and the weighted average number of common shares outstanding of 3,949,104 (2018 – 3,639,429). Diluted earnings (loss) per share did not include the effect of 317,529 warrants (2018 – 317,529) and nil options (2018 – 270,000) as they are anti-dilutive.

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8. 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 financial institutions, from which management believes the risk of loss is minimized. The Company is not subject to concentration of credit risk as it had no trade receivables for the period ended July 31, 2019 (October 31, 2018 – Nil). 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, 2019, the Company has current assets of \$53,427 (October 31, 2018 - \$123,268) to settle current financial liabilities of \$289,752 (October 31, 2018 - \$356,354). Accounts payable and accrued liabilities generally have contractual maturities of 30 days and they are all current.

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, 2019, the Company had \$70,245 in current assets (October 31, 2018 – \$46,835) and \$378,854 in current liabilities (October 31, 2018 - \$184,354) denominated in Canadian dollars. A 10% change in exchange rates would cause an increase/decrease of approximately \$50,000 to comprehensive income (loss).

9. 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, 2019 and October 31, 2018:

	July 31, 2019	October 31, 2018
1-30 days	\$ -	\$ -
30-60 days	-	-
61-90 days	-	-
Greater than 90 days	-	11,853
Allowance for doubtful accounts	-	(8,400)
	\$ -	\$ 3,453

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9. TRADE RECEIVABLES (continued from previous page)

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, 2018 - \$8,400) was necessary in respect of certain trade receivables. Bad debt expense of \$Nil (July 31, 2018 - \$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.

10. 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:

	<u>2019</u>	<u>2018</u>
Consulting fees	<u>\$ 29,290</u>	<u>\$ 150,189</u>

- ii) During the year ended October 31, 2017, the former Chief Executive Officer/Director loaned the Company funds for operations. The loan was non-interest bearing and had no set repayment terms. During the quarter ended January 31, 2018, the amount due to the former Chief Executive Officer/Director \$295,826 (CDN\$380,302) was settled for 2,535,347 shares of the Company.
- iii) On December 24, 2018, the Company announced that it was transferring all of its subsidiaries to its former President in order to return to an outsourcing model for fulfilling sales and carrying out development. These subsidiaries were part of the Company's one operating segment. The subsidiaries were transferred for no consideration effective on the loss of control which was November 1, 2018. The Company is in the process of transferring its two long term awards to Novateqni South Africa in exchange for a 5% royalty on sales and is also in the process of transferring the remainder of its Burkina Faso contract to Novateqni South Africa (Pty) Limited. The transfer of the contract will eliminate any warranty or service and support requirements of the Company. Any additional sales under the Burkina Faso contract will also earn the Company 5% royalty on sales. No additional sales are anticipated at this time. The financial effect cannot be estimated at this time.
- iv) During the period ended July 31, 2019 a former director of the Company provided loans through companies under his control totaling \$156,010 (CDN\$207,515) for working capital which were repaid in full during the period ended July 31, 2019. These loans were non-interest bearing and payable on demand.
- v) During the year ended October 31, 2018, the former Chief Executive Officer/Director loaned the Company funds for operations. The amount due to the former Chief Executive Officer/Director on October 31, 2018 was \$33,386. The loan was non-interest bearing and had no set repayment terms. During the period ended July 31, 2019 this amount was paid in full.
- vi) As at July 31, 2019, the Company owed \$1,597 to a Director of the Company for consulting fees.

All related party transactions are recorded at fair value.

11. GEOGRAPHICAL SEGMENTED INFORMATION

The Company's primary business is the provision of technology-based solution and supply of related electronic hardware.

There were no sales to external customers for the period ended July 31, 2019. The Company did not have any non-current assets attributable to the Company's geographical segments as at July 31, 2019 and October 31, 2018.

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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.

13. ECONOMIC DEPENDENCE

The Company had no revenues during the period ended July 31, 2019.

14. DISCONTINUED OPERATIONS

The Company determined that as of November 1, 2018, it no longer controlled the subsidiaries comprising Novateqni USA LLC, Novateqni Hong Kong Limited, and Novateqni South Africa (Pty) Limited control was passed to the purchaser. These subsidiaries were part of the Company's one operating segment. In accordance with IFRS 10, the Company derecognized the carrying values of the assets and liabilities effective November 1, 2018. The gain on the disposition and de-recognition of the subsidiaries is as follows:

Consideration received or receivable	\$	-
Carrying amount of net liabilities sold		(128,445)
Additional costs on disposal		29,616
Gain on sale before reclassification of foreign currency translation reserve		
Gain on reclassification of foreign currency translation reserve		(58,686)
Gain on sale	<u>\$</u>	<u>(157,515)</u>

Results of discontinued operations

	July 31, 2019	July 31, 2018
Revenues	\$ -	\$ -
Expenses	-	447,357
Loss from operating activities	-	(447,357)
Gain on sale of discontinued operations	157,515	-
Income (loss) for the period	<u>\$ 157,515</u>	<u>(447,357)</u>
Basic and diluted earnings per share	<u>\$ 0.04</u>	<u>\$ (0.14)</u>

Cash flows used in discontinued operation

	July 31, 2019	July 31, 2018
Net cash used in operating activities	-	(184,793)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash flows for the period	<u>-</u>	<u>(184,793)</u>

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14. DISCONTINUED OPERATIONS (continued from the previous page)

Effect of the disposal on the financial position of the Company on November 1, 2018

Cash	\$	(46,347)
Accounts receivable		(1,551)
Finished goods		(23,291)
Prepays		(8,069)
Taxes receivable		(8,373)
Accounts payable		118,391
Customer deposits		97,685
Net assets and liabilities	\$	<u>128,445</u>

15. SUBSEQUENT EVENTS

Subsequent to July 31, 2019, the Company completed a non-brokered private placement through the issuance of 8,002,500 units (each, a “Unit”) at a price of \$0.16 per Unit, for gross proceeds of \$1,280,400. Each “Unit” consists of one common share and one common share purchase warrant, each of which is exercisable to acquire an additional common share at a price of \$0.21 for a period of thirty-six months. No finders’ fees or commissions were paid in connection with completion of the placement. All securities issued in connection with the placement are subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.