

mobio technologies

Mobio Technologies Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

(EXPRESSED IN CANADIAN DOLLARS)

For the Three Months Ended October 31, 2018 and 2017

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Company's auditors have not reviewed or been involved in the preparation of these condensed consolidated interim financial statements.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

In accordance with National Instrument 51-102 Section 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of condensed consolidated interim financial statements by an entity's auditor, for the three-month periods ended October 31, 2018 and 2017.

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian dollars)

	Notes	October 31, 2018	July 31, 2018
ASSETS			
<u>Current Assets</u>			
Cash		\$ 122,928	\$ 76,883
Restricted cash	7	25,235	25,235
Accounts receivable	4	19,445	14,074
Deposits and prepaid expenses		<u>14,827</u>	<u>20,251</u>
		182,435	136,443
<u>Non-Current Assets</u>			
Fixed assets		1,574	1,825
Investments	5	<u>1,425,505</u>	<u>952,014</u>
TOTAL ASSETS		\$ 1,609,514	\$ 1,090,282
LIABILITIES			
<u>Current Liabilities</u>			
Trade payables and accruals	8	\$ 619,634	\$ 563,927
Loans payable	9	547,114	528,223
Deferred revenue and customer deposits		<u>2,349</u>	<u>631</u>
		1,169,097	1,092,781
Long-term loans payable	9	<u>567,267</u>	<u>-</u>
TOTAL LIABILITIES		<u>1,736,364</u>	<u>1,092,781</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	10	24,537,366	24,531,666
Warrant reserve	10	559,964	565,664
Equity portion of debt	9	130,574	35,366
Share-based payments reserve	10	320,024	387,056
Deficit		<u>(25,674,778)</u>	<u>(25,522,251)</u>
TOTAL EQUITY (DEFICIENCY)		<u>(126,850)</u>	<u>(2,499)</u>
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		\$ 1,609,514	\$ 1,090,282
Nature of operations and going concern uncertainty	1		
Subsequent events	15		

Approved on behalf of the board

"Derek Lew"

Derek Lew, Director

"Laurie Baggio"

Laurie Baggio, Chief Executive Officer

See accompanying notes to the condensed consolidated interim financial statements.

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (Unaudited - Expressed in Canadian dollars)

Three months ended October 31,	Notes	2018	2017
REVENUE			
Sales		\$ 12,145	\$ 26,680
EXPENSES			
Depreciation		251	811
Hosting and computing services		37,679	33,081
Personnel	12	110,316	143,442
Professional fees		26,080	5,000
Office and administration		11,834	12,569
Regulatory and filing costs		6,966	654
Marketing		-	573
Website and IT		1,797	6,587
Bank charges and foreign exchange		11,950	6,089
		206,873	208,806
Finance income	5	(14,369)	(7,561)
Finance costs	9,12	39,200	7,692
Loss on disposition of assets		-	987
		24,831	1,118
Net loss and comprehensive loss for the period		\$ (219,559)	\$ (183,244)
Basic and diluted loss per share	11	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding for the period, basic and diluted	11	18,419,453	14,545,278

See accompanying notes to the condensed consolidated interim financial statements.

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Unaudited - Expressed in Canadian dollars)

	Notes	Share capital		Reserves					Total
		Number of shares	Amount	Warrant reserve	Equity portion of debt	Share-based payments reserve	Deficit		
Balance at August 01, 2017		14,545,278	\$ 23,954,926	\$ 554,297	\$ -	\$ 489,572	\$ (24,743,894)	\$ 254,901	
Equity portion of debt		-	-	-	15,705	-	-	15,705	
Loss for the period		-	-	-	-	-	(183,244)	(183,244)	
Balance at October 31, 2017		14,545,278	\$ 23,954,926	\$ 554,297	\$ 15,705	\$ 489,572	\$ (24,927,138)	\$ 87,362	
Balance at August 1, 2018		18,419,453	\$ 24,531,666	\$ 565,664	\$ 35,366	\$ 387,056	\$ (25,522,251)	\$ (2,499)	
Equity portion of debt	9	-	-	-	95,208	-	-	95,208	
Expiry of options	10	-	-	-	-	(67,032)	67,032	-	
Expiry of warrants	10	-	5,700	(5,700)	-	-	-	-	
Loss for the period		-	-	-	-	-	(219,559)	(219,559)	
Balance at October 31, 2018		18,419,453	\$ 24,537,366	\$ 559,964	\$ 130,574	\$ 320,024	\$ (25,674,778)	\$ (126,850)	

See accompanying notes to the condensed consolidated interim financial statements.

MOBIO TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in Canadian dollars)

Three months ended October 31,	2018	2017
OPERATING ACTIVITIES		
Net loss for the period	\$ (219,559)	\$ (183,244)
<u>Items not affecting cash</u>		
Depreciation	251	811
Unrealized foreign exchange losses (gains)	10,889	(5,113)
Accrued interest income	(14,367)	(7,561)
Accrued interest expense	39,200	7,693
Loss on asset dispositions	-	987
<u>Net changes in non-cash working capital</u>		
Accounts receivable	(5,371)	9,162
Deposits and prepaid expenses	5,424	2,300
Trade payables and accruals	55,706	(1,443)
Deferred revenue and deposits	1,718	-
Net cash used in operating activities	(126,109)	(176,408)
INVESTING ACTIVITIES		
Equipment purchases	-	(695)
Cash investments made	(457,674)	-
Net cash used in investing activities	(457,674)	(695)
FINANCING ACTIVITIES		
Proceeds from loans	629,828	70,000
Net cash provided by financing activities	629,828	70,000
NET CASH FLOW FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES		
	46,045	(107,103)
CASH, BEGINNING OF THE PERIOD	76,883	118,305
CASH, END OF THE PERIOD	\$ 122,928	\$ 11,202

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Mobio Technologies Inc. ("Mobio" or the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on November 19, 1998. On December 6, 2012, the Company was continued into British Columbia and changed its name from Intensity Company Inc. to LX Ventures Inc. On July 7, 2014, the Company changed its name to Mobio Technologies Inc. Mobio is a public company whose shares are listed on the TSX Venture Exchange under the symbol "MBO". The Company's primary line of business is Strutta.com Media Inc. ("Strutta"), a social promotions platform that allows brands to run contests and sweepstakes across multiple social web channels. In addition, the Company invested in start-up technology companies.

These condensed consolidated interim financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. During the period ended October 31, 2018, the Company had a net and comprehensive loss of \$219,559 and negative cash flow from operations of \$126,109. These conditions raise significant doubt about the Company's ability to continue as a going concern.

The continuing operations of the Company are dependent upon its ability to develop profitable operations in the future and to raise adequate financing, if necessary. The Company has generated operating losses since inception. The application of the going concern concept is dependent on the Company's ability to achieve viable operations and access financing. Management is of the opinion that additional working capital can be obtained from internal and external sources to meet the Company's liabilities and commitments (see Note 15 – Subsequent Events).

There can be no assurance that the Company will be successful in achieving profitability or raising additional cash to finance operations. The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements were authorized for issue on December 21, 2018, by the Board of Directors of the Company.

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended July 31, 2018, and 2017.

Functional and Presentation Currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

2. BASIS OF PRESENTATION (CONT'D)**Basis of Measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair values. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. An area subject to significant estimates is the impairment of financial and non-financial assets. Actual results could differ from those estimates.

The most significant judgement applied in the preparation of these condensed consolidated interim financial statements relates to the carrying value of the Company's investments (Note 5). The Company invests in start-up technology companies whose products and services are under development. The successful development and commercialization of these products and services is subject to a high degree of risk. Judgement is applied in the consideration of impairment indicators of investments.

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its condensed consolidated interim financial statements for the period ended October 31, 2018. Management prepares the condensed consolidated interim financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, current working capital levels, and potential sources of replacement financing.

As a result of the assessment and as described in Note 1 – Nature of Operations and Going Concern Uncertainty, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecast and expectations with respect to access to financing for the next twelve months.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. NEW ACCOUNTING STANDARDS AND POLICIES**Financial instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of August 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the

3. NEW ACCOUNTING STANDARDS AND POLICIES (CONT'D)

Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

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 income (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 adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on August 1, 2018.

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 condensed consolidated interim statements of 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 condensed consolidated interim statements of comprehensive loss in the period in which they arise.

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 condensed consolidated interim 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.

3. NEW ACCOUNTING STANDARDS AND POLICIES (CONT'D)

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 condensed consolidated interim statements of comprehensive loss.

Accounting standards issued but not yet applied

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from customers and excise taxes refundable. Amounts due from customers relate to the operations of Strutta.

	October 31 2018	July 31, 2018
Trade receivables	\$ 16,706	\$ 11,326
GST recoverable	2,739	2,748
Total accounts receivable	\$ 19,445	\$ 14,074

5. INVESTMENTS

The Company's investee companies are startup companies in the online gaming, travel information, media content distribution, healthcare, and business services sectors. Investments consist of common shares, preferred shares, warrants, convertible notes and limited partnership units. The Company does not presently have any positions that result in significant influence (see Note 15).

Convertible notes are unsecured and bear interest annually at rates from 8 to 10% and mature in two years or less. The notes are convertible upon certain future events transpiring, and such events are uncertain as to both their occurrence and their magnitude. See Note 2 – Basis of Presentation for judgement applied in the assessment of impairment of investments.

The following tables set forth the changes to the Company's investments during the period ended October 31, 2018 and year ended July 31, 2018:

Three months ended October 31, 2018

Investments						
	Opening Balance	Additions	Interest Accrued	Impairment	Foreign Exchange Gain	Fair Value
Investments	\$ 952,014	\$ 457,674	\$ 14,367	\$ -	\$ 1,450	\$ 1,425,505

Year ended July 31, 2018

Investments						
	Opening Balance	Additions	Interest Accrued	Impairment	Foreign Exchange Gain	Fair Value
Investments	\$ 698,545	\$ 350,000	\$ 46,624	\$ (150,000)	\$ 6,845	\$ 952,014

6. COMMITMENTS

In May 2017, the Company entered into an office lease agreement for three years. Minimum lease commitments under the agreement are:

To July 2019	\$ 16,601
To July 2020	12,852
	<u>\$ 29,453</u>

7. RESTRICTED CASH

The Company has pledged \$25,235 (July 31, 2018 - \$25,235) in cash as collateral against the credit limits of credit cards issued to the Company. Cash pledged is held in short-term GICs maturing in 30 days or less.

8. TRADE PAYABLES AND ACCRUALS

As of October 31, 2018, the Company's trade payables and accrued expenses were as follows:

	October 31, 2018	July 31, 2018
Trade payables	\$ 298,175	\$ 275,895
Accrued liabilities	321,459	288,032
Total trade payables and accruals	\$ 619,634	\$ 563,927

Included in accrued liabilities at October 31, 2018 is \$270,000 (July 31, 2018 - \$240,000) owing to an officer of the Company and included in trade payables is \$4,263 (July 31, 2018 - \$3,938) owing to an officer of the Company (see Note 12 – Related Party Transactions).

9. LOANS PAYABLE

On July 12, 2017, the Company received a loan in the amount of \$50,000 from a company with a common director and officer. The loan is unsecured, bears interest at 10% per annum and matured on July 12, 2018. During the period ended October 31, 2018, the Company recorded \$105 (2017 - \$2,470) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$4,252 consisting of unpaid interest (July 31, 2018 - \$4,147). (See Note 12 – Related Party Transactions).

On July 27, 2017, the Company received a loan in the amount of \$100,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matured on July 27, 2018. Currently the loan is repayable on demand and continues to bear interest at 10%. During the period ended October 31, 2018, the Company recorded \$2,812 (2017 - \$4,552) in interest on the loan. The balance of the loan at October 31, 2018 is \$113,436 (July 31, 2018 - \$110,624). (See Note 12 – Related Party Transactions).

On September 12, 2017, the Company received a loan in the amount of \$20,000 from a company with a common director and officer. The loan is unsecured, bears interest at 10% and matured on September 12, 2018. Currently the loan is repayable on demand and continues to bear interest at 10%. During the period ended October 31, 2018, the Company accrued \$556 (2017 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2018 is \$22,399. (July 31, 2018 - \$21,843) (See Note 12 – Related Party Transactions).

On October 3, 2017, the Company received a loan in the amount of \$50,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matured on October 3, 2018. Currently the loan is repayable on demand and continues to bear interest at 10%. During the period ended October 31, 2018, the Company recorded \$1,732 (2017 - \$671) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$55,236 (July

9. LOANS PAYABLE (CONT'D)

31, 2018 - \$53,504). (See Note 12 – Related Party Transactions).

On November 6, 2017, the Company received a loan in the amount of \$50,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matures on November 6, 2018. During the period ended October 31, 2018, the Company recorded \$6,599 (2017 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$55,023 (July 31, 2018 - \$52,667). (See Note 12 – Related Party Transactions).

On November 7, 2017, the Company received a loan in the amount of \$150,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matures on November 7, 2018. During the period ended October 31, 2018, the Company recorded \$7,067 (2017 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$164,992 (July 31, 2018 - \$157,925). (See Note 12 – Related Party Transactions).

On December 12, 2017, the Company received a loan in the amount of \$50,000 from a company with a common director and a common officer. The loan is unsecured, bears interest at 10% per annum and matures on December 12, 2018. During the period ended October 31, 2018, the Company recorded \$2,338 (2017 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$54,096 (July 31, 2018 - \$51,758). (See Note 12 – Related Party Transactions).

On February 27, 2018, the Company received a loan in the amount of \$20,000 from a company with a common director and officer. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on February 27, 2019. During the period ended October 31, 2018, the Company accrued \$530 (2017 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2018 is \$21,394 (July 31, 2018 - \$20,864). (See Note 12 – Related Party Transactions).

On August 17, 2019, the Company received a loan in the amount of \$200,000. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on August 17, 2020. During the period ended October 31, 2018, the Company accrued \$7,128 (2017 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$177,368.

On August 20, 2018, the Company received a loan in the amount of \$50,000 from a company with a common director and officer. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on August 20, 2020. During the period ended October 31, 2018, the Company accrued \$1,704 (2017 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$44,092.

On August 30, 2018, the Company received a loan in the amount of \$379,828 (US\$300,000) from a company with a common director and officer. The loan is unsecured and bears interest at 10%. Principal and any unpaid interest are due on August 30, 2020. During the period ended October 31, 2018, the Company accrued \$11,475 (2017 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2018 is \$345,807.

The above loans were initially recognized at their face value less the value of the equity component of \$130,574, as determined by discounting the loans at an appropriate market rate.

9. LOANS PAYABLE (CONT'D)

On December 21, 2017, the Company received a loan in the amount of \$100,000. The loan is unsecured, bears interest at 10% per annum and matures on December 21, 2018. During the period ended October 31, 2018, the Company accrued \$1,395 (2017 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2018 is \$56,286 (July 31, 2018 - \$54,891).

The loans are made up as follows:

	Liability component	Equity component
Balance, July 31, 2018	\$ 528,223	\$ 35,366
Issuance	534,620	95,208
Accrued interest and accretion	39,200	-
Foreign exchange loss	12,338	-
Balance, October 31, 2018	\$ 1,114,381	\$ 130,574
Short-term loans	\$ 547,114	
Long-term loans	567,267	
	\$ 1,114,381	

See Note 15.

10. SHARE CAPITAL

Authorized:

- Unlimited number of common shares without par value.
- Unlimited number of preferred shares without par value, non-voting and entitled to such dividends as may be set by the Board of Directors of the Company.

Issued and outstanding shares

During the year ended July 31, 2018, the Company consolidated its common shares on the basis of 1 new share for every 2 old shares (the "Consolidation"). Prior to the Consolidation, the Company had 36,838,907 common shares issued and outstanding. No fractional shares were issued pursuant to the Consolidation, and subsequent to the Consolidation, the Company had 18,419,453 common shares issued and outstanding.

All comparative references herein to the number of shares, options, warrants, weighted average number of common shares and loss per share have been restated for both consolidations, including all such numbers presented for the prior year.

10. SHARE CAPITAL (CONT'D)**Warrants**

During the period ended October 31, 2018, the Company extended the original expiry date of August 24, 2018, of 4,068,750 common share purchase warrants by twelve months. The new expiry date has been extended to August 24, 2019.

During the period ended October 31, 2018, 61,250 warrants expired. The fair value of the expired warrants of \$5,700 was reclassified from warrants reserve to share capital.

Share purchase warrant transactions during the period ended October 31, 2018 were as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2018	5,887,145	\$ 0.30
Warrants expired	(61,250)	0.30
Balance, October 31, 2018	5,825,895	\$ 0.30

The weighted average life of the warrants is 0.99 years.

As at October 31, 2018, the following warrants were issued and exercisable:

Number of Warrants	Exercise Price	Expiry Date
4,068,750	\$ 0.30	August 24, 2019
40,475	\$ 0.15	March 26, 2019
1,666,670	\$ 0.30	March 26, 2020
50,000	\$ 0.30	April 23, 2020
5,825,895		

Stock Options

Under the Company's Stock Option Plan, options may be granted to directors, officers, employees and consultants of the Company. Options expire between two and five years after being issued or thirty days after an optionee ceases to be engaged in a bona fide manner with the Company. The Board of Directors has the discretion to extend the expiration period on cessation of engagement. The maximum number of common shares authorized for issuance by the Board of Directors under the plan is limited to 10% of the total issued and outstanding common shares of the Company and the aggregate number of common shares to be delivered upon exercise of the options to any one individual granted under the plan may not exceed 5% of the common shares issued and outstanding.

During the period ended October 31, 2018, 18,000 options expired. The fair value of the expired options of \$67,032 was reclassified from share-based payments reserve to deficit.

10. SHARE CAPITAL (CONT'D)**Stock Options (cont'd)**

A summary of the changes in the Company's outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2018	555,125	\$ 1.25
Expired	(18,000)	\$ 6.00
Balance, October 31, 2018	537,125	\$ 1.09

The weighted average life of the options is 7.11 years.

As at October 31, 2018, the following stock options were issued and exercisable:

Outstanding (#)	Exercisable (#)	Exercise Price (\$)	Expiry Date
9,625	9,625	20.00	Dec. 24, 2018
6,250	6,250	10.00	Apr. 2, 2019
96,250	96,250	2.00	Oct. 31, 2019
25,000	25,000	2.00	Dec. 3, 2019
400,000	325,000	0.22	Jan. 19, 2028
537,125	462,125		

11. LOSS PER SHARE

The basic loss per common share is calculated using the weighted average number of common shares outstanding during the period. Any warrants and stock options outstanding as at October 31, 2018 and 2017 have not been included in the calculation of diluted loss per common share as the effect of their inclusion would be anti-dilutive.

Loss per share is calculated as follows:

Loss Per Share Calculation	Weighted Average Shares Outstanding	Net Loss	Loss Per Share
Three months ended October 31, 2018	18,419,453	\$ (219,559)	\$ (0.01)
Three months ended October 31, 2017	14,545,278	\$ (183,244)	\$ (0.01)

12. RELATED PARTY TRANSACTIONS

Payments to key management and directors during the periods ended October 31, 2018 and 2017 were as follows:

	2018	2017
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 41,250	\$ 41,250

Fees paid to directors and officers are included in the line item "Personnel" in the Company's Condensed Consolidated Interim Statements of Comprehensive Loss.

For other related party loans see Note 9 – Loans Payable.

Interest and accretion recorded on related party loans is as follows:

	2018	2017
Interest and accretion accrued on loans payable to companies with a common director and officer or to companies controlled by directors and/officers	\$ 30,676	\$ 7,693

Included in accrued liabilities at October 31, 2018 is \$270,000 (July 31, 2018 - \$240,000) owing to an officer of the Company and included in trade payables is \$4,263 (July 31, 2018 - \$3,938) owing to an officer of the Company.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, accounts receivable, investments, trade payables and loans payable. As at October 31, 2018 and July 31, 2018, there were no significant differences between the carrying amounts of these items and their estimated fair values. The carrying value of these items approximates their fair value.

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable.

The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of October 31, 2018, all of the Company's investments are classified as Level 3, other than cash which is classified as Level 1.

13. FINANCIAL INSTRUMENTS (CONT'D)

The Board of Directors approves and monitors the risk management processes. The Company has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Market risk
- 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 due to changes in market interest rates. The Company manages its financial instruments with the objective of minimizing potential interest rate risk, which generally means avoiding interest-bearing obligations other than in unusual circumstances. The Company is not exposed to significant interest rate risk as the Company's investments and liabilities have fixed interest rates.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, restricted cash, and accounts receivable. Management believes that the credit risk with respect to cash and restricted cash is minimal as balances are held with a high-credit quality financial institution. Accounts receivable have historically been subject to very few bad debts.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising funds to sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company's ability to meet its future obligations may depend in significant part on the extent to which the Company can raise sufficient funds or implement successfully its business growth and cost reduction strategies. The Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realized.

Market Risk

The Company's exposure to financial market risk is limited, as it presently does not have any investments where value fluctuates as a result of changes in prices quoted in open markets.

Currency risk

The Company is headquartered in Canada and its functional reporting currency is the Canadian dollar. The Company's cash assets, investments, and liabilities are denominated in Canadian and US dollars. Additionally, a portion of Strutta's revenues are denominated in US dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and these fluctuations may adversely affect the financial position and operating results of the Company. As of October 31, 2018, the Company does not use derivative instruments to reduce its exposure to currency risk.

14. CAPITAL MANAGEMENT

The Company defines capital as an aggregate of cash, common shares, warrants and stock options. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company targets to meet this objective by managing working capital to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements in the near term. The Board of Directors does not establish quantitative return on capital criteria for management. In recent years, the Company has relied on funds generated through the issuance of common shares and loans to supplement funds generated from operations.

15. SUBSEQUENT EVENTS

- 1) On November 7, 2018, the Company purchased 100% of the issued and outstanding common shares of Exahash Cryptomining Corp. for \$50,000.
- 2) On November 8, 2018, the Company received a loan in the amount of USD\$50,000 from a company with a common director and officer. The loan is unsecured, bears interest at 10% and is payable on demand.
- 3) On November 9, 2018, the Company issued 3,994,779 common shares to settle loans of \$359,530. Of this amount, \$99,051 was owing to the CEO of the Company.