

# mobio technologies

## **Mobio Technologies Inc.**

Consolidated Financial Statements

(EXPRESSED IN CANADIAN DOLLARS)

**For the Years Ended July 31, 2019 and 2018**

### **Index**

Consolidated Statements of Financial Position

Consolidated Statements of Comprehensive Loss

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mobio Technologies Inc.

### Opinion

We have audited the consolidated financial statements of Mobio Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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



An independent firm  
associated with Moore  
Global Network Limited



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC  
November 28, 2019



An independent firm  
associated with Moore  
Global Network Limited

**MOBIO TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Notes	July 31, 2019	July 31, 2018
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash		\$ 307,190	\$ 76,883
Restricted cash	4	25,235	25,235
Accounts receivable	5	16,184	14,074
Digital currencies		17,545	-
Deposits and prepaid expenses		26,874	20,251
		<u>393,028</u>	<u>136,443</u>
<u>Non-Current Assets</u>			
Equipment	8	7,422	1,825
Investments	9	1,775,243	952,014
		<u>1,782,665</u>	<u>953,839</u>
<b>TOTAL ASSETS</b>		<b>\$ 2,175,693</b>	<b>\$ 1,090,282</b>
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Trade payables and accruals	11	\$ 147,850	\$ 563,927
Loans payable	12	70,531	528,223
Deferred revenue and customer deposits		2,316	631
		<u>220,697</u>	<u>1,092,781</u>
<u>Non-Current Liabilities</u>			
Loans payable	12	1,051,110	-
		<u>1,051,110</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<b>1,271,807</b>	<b>1,092,781</b>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	13	25,782,356	24,531,666
Warrant reserve		846,730	565,664
Equity portion of debt	12	238,722	35,366
Share-based payments reserve		166,215	387,056
Deficit		<u>(25,847,814)</u>	<u>(25,522,251)</u>
Equity attributable to the shareholders of the Company		1,186,209	(2,499)
Interest of shareholders of Plank Ventures Ltd.	7	<u>(282,323)</u>	<u>-</u>
<b>TOTAL EQUITY (DEFICIENCY)</b>		<b>903,886</b>	<b>(2,499)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIENCY)</b>		<b>\$ 2,175,693</b>	<b>\$ 1,090,282</b>
Nature of operations and going concern uncertainty	1		
Subsequent events	19		
<i>Approved on behalf of the board</i>			
<i>"Derek Lew"</i>			
_____ Derek Lew, Director			
<i>"Laurie Baggio"</i>			
_____ Laurie Baggio, Chief Executive Officer			

See accompanying notes to the consolidated financial statements.

**MOBIO TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Notes	Years ended July 31,	
		2019	2018
<b>REVENUE</b>			
Software		\$ 39,741	\$ 71,200
Cryptomining		5,989	-
		45,730	71,200
<b>EXPENSES</b>			
Depreciation	8	4,745	1,830
Hosting and computing services		148,914	140,763
Personnel	15	446,880	499,393
Professional fees		105,413	34,731
Office and administration		70,106	55,280
Regulatory and filing costs		29,578	25,673
Marketing		955	573
Communications		-	900
Website and IT		8,654	13,217
Share-based payments		6,911	70,920
Foreign exchange		(35,666)	7,872
		786,490	851,152
<b>OTHER ITEMS</b>			
Finance income	9	(37,129)	(57,117)
Finance costs	12	204,406	73,608
Loss on debt repayment		-	4,363
Impairment of investments	9	32,188	150,000
Impairment of goodwill	6	123,083	-
Reversal of accrued liabilities	11	(222,223)	-
Unrealized gain on fair value of digital currencies		(5,501)	-
Loss on disposition of assets		54	987
		94,878	171,841
<b>Net loss and comprehensive for the year</b>		\$ (835,638)	\$ (951,793)
<b>Net loss attributable to:</b>			
Shareholders of Plank Ventures Ltd.		\$ (282,323)	\$ -
Shareholders of Mobio Technologies Inc.		(553,315)	-
<b>Net loss and comprehensive loss for the year</b>		\$ (835,638)	\$ -
<b>Basic and diluted loss per share</b>	14	\$ (0.02)	\$ (0.06)
Weighted average number of common shares outstanding, basic and diluted	14	29,358,200	15,886,228

See accompanying notes to the consolidated financial statements.

# MOBIO TECHNOLOGIES INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian dollars)

	Notes	Share capital		Reserves				Deficit attributable to shareholders of Plank Ventures Ltd.	Deficit	Total
		Number of shares	Amount	Warrant reserve	Equity portion of debt	Share-based payments reserve				
Balance at August 1, 2017		14,545,278	\$ 23,954,926	\$ 554,297	\$ -	\$ 489,572	\$ -	\$ (24,743,894)	\$ 254,901	
Shares issued for cash	13	3,333,340	383,246	116,755	-	-	-	-	500,001	
Share issuance costs	13	-	(11,292)	(2,215)	-	-	-	-	(13,507)	
Finders' warrants	13	-	(3,167)	3,167	-	-	-	-	-	
Shares issued for debt	13	433,335	65,000	-	-	-	-	-	65,000	
Share consolidation adjustment		(20)	-	-	-	-	-	-	-	
Warrants issued for debt	13	-	-	4,363	-	-	-	-	4,363	
Equity portion of debt	12	-	-	-	35,366	-	-	-	35,366	
Exercise of warrants	13	107,500	39,823	(7,573)	-	-	-	-	32,250	
Expiry of warrants	13	-	103,130	(103,130)	-	-	-	-	-	
Expiry of options	13	-	-	-	-	(173,436)	-	173,436	-	
Share-based payments	13	-	-	-	-	70,920	-	-	70,920	
Loss for the year		-	-	-	-	-	-	(951,793)	(951,793)	
Balance at July 31, 2018		18,419,433	24,531,666	565,664	35,366	387,056	-	(25,522,251)	(2,499)	
Shares issued for cash	13	15,733,334	888,245	291,755	-	-	-	-	1,180,000	
Shares issued for debt	13	3,994,779	359,530	-	-	-	-	-	359,530	
Share issuance costs	13	-	(4,654)	(1,995)	-	-	-	-	(6,649)	
Finders' fees	13	-	(846)	(279)	-	-	-	-	(1,125)	
Finders' warrants	13	-	(452)	452	-	-	-	-	-	
Share-based payments	13	-	-	-	-	6,911	-	-	6,911	
Equity portion of debt	12	-	-	-	203,356	-	-	-	203,356	
Expiry of options	13	-	-	-	-	(225,555)	-	225,555	-	
Cancellation of options	13	-	-	-	-	(2,197)	-	2,197	-	
Expiry of warrants	13	-	8,867	(8,867)	-	-	-	-	-	
Loss for the year		-	-	-	-	-	(282,323)	(553,315)	(835,638)	
Balance at July 31, 2019		38,147,546	\$ 25,782,356	\$ 846,730	\$ 238,722	\$ 166,215	\$ (282,323)	\$ (25,847,814)	\$ 903,886	

See accompanying notes to the consolidated financial statements.

**MOBIO TECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

Year ended July 31,	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (553,315)	\$ (951,793)
<u>Items not affecting cash</u>		
Depreciation	4,745	1,830
Unrealized foreign exchange losses (gains)	10,837	(6,844)
Loss on settlement of debt	-	4,363
Reversal of accrued liabilities	(222,223)	-
Impairment of goodwill	123,083	-
Impairment of investments	32,188	150,000
Consulting fees settled in shares	-	15,000
Gain on fair value of digital currencies	(5,501)	-
Cryptomining revenue	(5,989)	-
Accrued interest income	(37,127)	(46,624)
Accrued interest expense	182,466	73,211
Share-based payments	6,911	70,920
Loss on asset dispositions	54	987
<u>Net changes in non-cash working capital</u>		
Accounts receivable	(2,110)	4,729
Deposits and prepaid expenses	(6,624)	(5,744)
Trade payables and accruals	(225,680)	91,066
Deferred revenue and deposits	1,685	(572)
Net cash used in operating activities	(696,600)	(599,471)
<b>INVESTING ACTIVITIES</b>		
Equipment purchases	-	(695)
Purchase of subsidiary	764	-
Cash investments made	(925,972)	(350,000)
Net cash used in investing activities	(925,208)	(350,695)
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans	1,395,527	440,000
Repayment of loans	(433,315)	(50,000)
Issuance of common shares for cash	1,180,000	500,001
Share issuance costs	(7,774)	(13,507)
Exercise of warrants	-	32,250
Net cash provided by financing activities	2,134,438	908,744
<b>NET CASH FLOW FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>		
	512,630	(41,422)
<b>CASH, BEGINNING OF THE YEAR</b>	76,883	118,305
<b>CASH, END OF THE YEAR</b>	\$ 589,513	\$ 76,883
<b>SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS</b>		
Interest paid in cash	\$ 21,940	\$ -
Shares issued in settlement of loans	\$ 359,530	\$ 50,000
Shares issued in settlement of services	\$ -	\$ 15,000

See accompanying notes to the consolidated 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. 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 invests in start-up technology companies.

These consolidated 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 year ended July 31, 2019, the Company generated a net loss of \$835,638 and negative cash flow from operations of \$978,923. 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 profitable operations and obtain necessary financing.

There can be no assurance that the Company will be successful in achieving profitability or raising additional cash to finance operations. These conditions indicate the existence of a material uncertainty that may raise doubt about the Company’s ability to continue as a going concern. The consolidated 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 consolidated financial statements were authorized for issue on November 28, 2019, by the Board of Directors of the Company.

### **Statement of Compliance**

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

### **Functional and Presentation Currency**

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

### **Basis of Measurement**

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting.

## **2. BASIS OF PRESENTATION (CONT'D)**

### **Use of estimates and judgments**

The preparation of the consolidated 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.

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended July 31, 2019. Management prepares the consolidated 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.

Other significant estimates and assumptions were used with respect to the fair value of investments, the determination of whether a business combination or an asset acquisition took place in the year and the impairment of goodwill.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation**

These consolidated financial statements consist of Mobio Technologies Inc., Plank Ventures Ltd. ("Plank") and Exahash Cryptomining Corp. ("Exahash").

#### **(a) Basis of Consolidation**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Subsidiaries are deconsolidated on the date that control ceases.

The consolidated financial statements at July 31, 2019 and 2018 include the assets, liabilities, revenues and expenses of the Company's controlled and wholly owned subsidiaries. All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions are eliminated on consolidation.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of Consolidation (cont'd)

Mobio does not have a direct ownership interest in Plank and Exahash. However, Mobio controls Plank as it can exercise power over Plank through its Board of Directors. Mobio has a variable interest in Plank and, through its Board of Directors, has the ability to affect the returns to the Company. Exahash is a wholly-owned subsidiary of Plank and, accordingly, Mobio has control over Exahash.

#### (b) Business Combinations

The acquisitions which meet the definition of a "business", as defined in IFRS 3 – *Business Combinations*, are accounted for as a business combination using the acquisition method, and require the purchase price to be allocated to the fair values of the net assets acquired, including any intangible assets that may have arisen as a result of the acquisition, with the remainder of the purchase price allocated to goodwill. Those acquisitions which did not meet the definition of a business are accounted for as a purchase of assets. The judgments applied to making this determination includes assessing whether the acquisition contains inputs, processes, and outputs as described in IFRS 3.

#### (c) Functional Currency and Presentation

The Company's functional currency is the Canadian dollar and transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities in foreign currencies are translated at reporting period rate of exchange. Non-monetary assets and liabilities in foreign currencies are translated at historical exchange rates.

Revenue and expenses denominated in a foreign currency are translated at the monthly average exchange rate (except for depreciation and amortization which is translated at historical exchange rates). Gains and losses resulting from the translation adjustments are included in net loss.

#### (d) Intangible Assets and Goodwill

Intangible assets with finite lives consist of acquired technologies and software. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization commences once the underlying asset is complete and put into use. Cost for intangible assets acquired in a business combination represents the fair value of the asset at the time of the acquisition. Intangible assets with finite lives are currently amortized over the following periods:

<u>Estimated useful life</u>	
Software	3 years

Goodwill is not amortized and is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash generating unit (CGU) to which it relates.

#### (e) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Equipment (cont'd)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income (loss).

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Cryptomining equipment	50%
Computer equipment	33%

#### (f) Revenue Recognition

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of August 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Revenue is recognized when a contractual arrangement is in place, the fee is fixed and determinable, the products and services have been delivered to the customer, and collectability is reasonably assured. The Company's principal source of software revenue and recognition of these revenues are as follows:

- (i) On-line subscription fees; and
- (ii) Advertising and sponsorship fees.

Payments received in advance are recorded as deferred revenue and recognized into revenue as services are delivered or subscription time elapses.

Cryptomining revenue is recognized when the digital currencies have been received by the Company.

#### (g) 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

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:

(i) 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 following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original Classification IAS 39	New Classification IFRS 9
<b>Financial Assets</b>		
Cash	Loans and receivables	FVTPL
Restricted cash	Loans and receivables	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	FVTPL
<b>Financial Liabilities</b>		
Trade payables and accruals	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

(ii) 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 are 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 consolidated statements of net (loss) income. 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 consolidated statements of net (loss) income in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **(g) Financial instruments (cont'd)**

##### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

##### (iii) 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 consolidated statements of comprehensive income (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.

##### (iv) 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.

###### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

#### **(h) Share-Based Payments**

Stock options issued are accounted for in accordance with fair value accounting for share-based payments. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. The associated expense is charged to profit or loss with a corresponding increase to share-based payment reserves over the vesting period of the option on a straight-line basis. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Compensation expense for stock options granted to non-employees is recorded as an expense in the period at the earlier of the completion of performance and the date the options are vested using the fair value method.

As the options are exercised, the consideration paid, along with the amount previously recognized in share-based payment reserves, is recorded as an increase to share capital. For stock options which have expired or been forfeited, the amount previously recognized in share-based payments reserve is reclassified to deficit.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Warrants

The proceeds from private placements that include warrants are allocated on a relative fair value basis between the common shares and warrants. The fair value attributed to warrants is recorded in warrant reserves within equity. If the warrants are converted, the consideration paid, along with the amount previously recognized in warrant reserves, is recorded as an increase to share capital. Upon expiry of warrants, any fair value attributed is reclassified to share capital.

#### (j) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. The Company identifies CGUs as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets. Value in use calculations require estimations of discount rates and future cash flows derived from revenue growth, gross margin and operating costs. Fair value less costs to sell calculations require the Company to estimate fair value of an asset or a CGU using market values of similar assets as well as estimations of the related costs to sell.

Impairment losses are recognized in profit or loss in the period in which the impairment is identified. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying value of goodwill allocated to the CGU and any excess is allocated to the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (k) Contingent Liabilities

A contingent liability is defined as a possible obligation arising from past events or a present obligation where it is not probable that an outflow of resources will occur or the amount of obligation cannot be measured. On determining the probability of occurrence and estimate of exposure, the Company relies upon their understanding of the past event, including activities undertaken by other parties. Contingent liabilities are disclosed unless the probability of occurrence is remote. There are no contingent liabilities disclosed for the Company.

#### (l) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net loss. Comprehensive loss is equal to net loss for the years ended July 31, 2019 and 2018.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **(m) Loss per Share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. The method requires computation as if the proceeds from the exercisable options and warrants would be used to purchase common shares at the average market price during the period. For the periods presented, diluted loss per share is equal to basic loss per share since the effects of stock options and warrants were anti-dilutive.

#### **(n) Income Taxes**

Income tax expense consists of current and deferred tax expenses. Income tax expense is recognized in net loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or investments in subsidiaries and equity investments to the extent it is probable that they will not be reversed in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that asset.

#### **(o) Convertible Debentures and Short-Term Loans**

Convertible debentures and short-term loans are separated into their liability and equity components on the Consolidated Statements of Financial Position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is subsequently measured at amortized cost, using the effective interest method, until extinguished upon conversion or maturity.

The fair value of the equity component of debt is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the liability component is allocated as the fair value of the equity component. The issuance costs have been allocated on a pro-rata basis between the debt and equity components.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(p) 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 will be effective August 1, 2019. The Company does not expect the adoption of the new standard to have a significant impact on the consolidated financial statements.

**4. 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.

**5. ACCOUNTS RECEIVABLE**

Accounts receivable consist primarily of amounts due from customers and GST recoverable. Amounts due from customers relate to the operations of Strutta.

	<b>July 31, 2019</b>	<b>July 31, 2018</b>
Trade and other receivables	\$ 11,314	\$ 11,326
GST recoverable	4,870	2,748
<b>Total accounts receivable</b>	<b>\$ 16,184</b>	<b>\$ 14,074</b>

**6. ACQUISITION OF EXAHASH CRYPTOMINING CORP.**

On November 7, 2018, Plank acquired 100% of the issued and outstanding common shares of Exahash Cryptomining Corp. ("Exahash"), a cryptomining company by exercising warrants for \$2,500. The acquisition was treated as a business combination. In accordance with IFRS 3 "Business Combinations", the assets acquired, and liabilities assumed are measured at their fair value at the acquisition date and the excess value of the consideration above the fair value of the net assets acquired is recognized as goodwill.

The acquisition was recorded as follows:

**6. ACQUISITION OF EXAHASH CRYPTOMINING CORP. (CONT'D)**

Fair value of consideration		
Cash (retained within Exahash)	\$	2,500
Assets acquired		
Cash		763
Digital currencies		6,461
Cryptomining equipment		9,674
Computer equipment		723
Accounts payable		(31,828)
Intercompany loan		(108,876)
		(123,083)
Goodwill	\$	123,083

At July 31, 2019, the Company determined that goodwill was impaired and recorded an impairment of \$123,083 in the consolidated statements of comprehensive loss.

**7. SPIN OUT OF PLANK VENTURES LTD.**

On February 22, 2019, the Company completed a plan of arrangement with its subsidiary Plank Ventures Ltd., whereby the shares of Plank held by the Company were distributed to the shareholders of the Company and Plank ceased to be a subsidiary of the Company. Pursuant to the plan of arrangement, all of the Company's investments were transferred to Plank. In accordance with IFRS 10, as the Company has a variable interest in Plank through an intercompany receivable and has the same directors and shareholders as Plank, the Company meets the criteria for having control over Plank and, therefore, the consolidated financial statements include the assets, liabilities, revenues and expenses of Plank and its subsidiary, Exahash. The fair value of the Plank shareholders' interest at the date of conclusion of the plan of arrangement was determined to be \$Nil as Plank had net liabilities. The portion of equity attributable to the shareholders of Plank is included as a separate component of equity in the consolidated statements of financial position.

8. EQUIPMENT

	Cryptomining Equipment		Computer Equipment		Total
<b>Cost</b>					
Balance August 1, 2017	\$	-	\$	13,563	\$ 13,563
Disposal		-		(3,626)	(3,626)
Balance July 31, 2018		-		9,937	9,937
Disposal		-		(3,043)	(3,043)
Acquisition of subsidiary (Note 6)		9,674		723	10,397
<b>Balance July 31, 2019</b>	<b>\$</b>	<b>9,674</b>	<b>\$</b>	<b>7,617</b>	<b>\$ 17,291</b>
<b>Amortization</b>					
Balance August 1, 2017	\$	-	\$	9,617	\$ 9,617
Disposal				(1,505)	(1,505)
Balance July 31, 2018		-		8,112	8,112
Disposal		-		(2,988)	(2,988)
Additions		3,878		867	4,745
<b>Balance July 31, 2019</b>	<b>\$</b>	<b>3,878</b>	<b>\$</b>	<b>5,991</b>	<b>\$ 9,869</b>
<b>Net book value</b>					
<b>Balance July 31, 2018</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,825</b>	<b>\$ 1,825</b>
<b>Balance July 31, 2019</b>	<b>\$</b>	<b>5,796</b>	<b>\$</b>	<b>1,626</b>	<b>\$ 7,422</b>

9. INVESTMENTS

The following tables set forth the changes to the Company's investments during the years ended July 31, 2019 and 2018:

**Year ended July 31, 2019**

	Investments						
	Opening Balance	Additions	Interest Accrued	Foreign Exchange Gain	Fair Value Change	Fair Value	
Investments	\$ 952,014	\$ 817,095	\$ 37,127	\$ 1,195	\$ (32,188)	\$ 1,775,243	

9. INVESTMENTS (CONT'D)

Year ended July 31, 2018

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

10. COMMITMENTS

In May 2017, the Company entered into an office lease agreement for three years. Minimum lease payments under the agreement are \$12,852 for the year ended July 2020.

11. TRADE PAYABLES AND ACCRUALS

	July 31, 2019	July 31, 2018
Accounts payable	\$ 67,570	\$ 275,895
Accrued liabilities	80,280	288,032
Total accounts payable and accrued liabilities	\$ 147,850	\$ 563,927

As of July 31, 2019, the Company's trade payables and accrued liabilities were as follows:

Included in accrued liabilities at July 31, 2019 is \$60,000 (July 31, 2018 - \$240,000) owing to an officer of the Company and included in trade payables is \$5,792 (July 31, 2018 - \$3,938) owing to an officer of the Company (see Note 16 – Related Party Transactions).

During the year ended July 31, 2019, the Company reversed \$222,223 (July 31, 2018 - \$Nil) in accrued liabilities from prior years.

12. 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 was unsecured, bore interest at 10% per annum and matured on July 12, 2018. The principal portion of the loan was repaid during the year ended July 31, 2018. During the year ended July 31, 2019, the Company repaid the accrued interest on the loan of \$4,252 through the issuance of common shares. (See Note 14 – Share Capital and Note 16 – 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 was unsecured, bore interest at 10% per annum and matured on July 27, 2018. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$116,224. (See Note 16 – 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 was unsecured, bore interest at 10% per annum and matured on September 12, 2018. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$22,399 through the issuance of common shares. (See Note 14 –

## **12. LOANS PAYABLE (CONT'D)**

Share Capital and Note 16 - 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 was unsecured, bore interest at 10% per annum and matured on October 3, 2018. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$57,043. (See Note 16 – 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 was unsecured, bore interest at 10% per annum and matured on November 6, 2018. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$56,517. (See Note 16 – 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 was unsecured, bore interest at 10% per annum and matured on November 7, 2018. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$169,506. (See Note 16 – 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 was unsecured, bore interest at 10% per annum and matured on December 12, 2018. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$55,965. (See Note 16 – Related Party Transactions).

On December 21, 2017, the Company received a loan in the amount of \$100,000. The loan was unsecured, bore interest at 10% per annum and matured on December 21, 2018. During the year ended July 31, 2018, \$50,000 of the principal amount of the loan was repaid. During the year ended July 31, 2019, the Company repaid the remaining principal and accrued interest in the amount of \$56,286 through the issuance of common shares. (See Note 14 – Share Capital).

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 was unsecured and bore interest at 10% per annum. Principal and any unpaid interest were due on February 27, 2019. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$21,394 through the issuance of common shares. (See Note 14 – Share Capital and Note 16 – Related Party Transactions).

On August 17, 2018, the Company received a loan in the amount of \$200,000 from a Company with a common shareholder. The loan was unsecured and bore interest at 10% per annum. Principal and any unpaid interest were due on August 17, 2020. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$204,193 through the issuance of common shares. (See Note 14 – Share Capital).

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 was unsecured and bore interest at 10% per annum. Principal and any unpaid interest were due on August 20, 2020. During the year ended July 31, 2019, the Company repaid the loan and accrued interest in the amount of \$51,006 through the issuance of common shares. (See Note 14 – Share Capital and Note 16 – Related Party Transactions).

On August 30, 2018, the Company received a loan in the amount of \$379,828 (US\$300,000) from a company controlled by an officer. The loan is unsecured and bears interest at 10% per annum. Principal and any unpaid interest are due on August 30, 2020. The loan was originally recorded at face value of \$379,828 less the value of the equity component of the loan, determined by discounting the loan at an appropriate market rate of interest, of \$57,836. During the year ended July 31, 2019,

**12. LOANS PAYABLE (CONT'D)**

the Company recorded \$64,934 (year ended July 31, 2018 - \$Nil) in interest and accretion on the loan. The balance of the loan at July 31, 2019, including an exchange loss of \$12,024 is \$398,950. (See Note 16 – Related Party Transactions).

On November 8, 2018, the Company received a loan in the amount of \$64,777 (US \$50,000) from a company controlled by an officer. The loan is unsecured, due on demand and bears interest at 10% per annum. During the year ended July 31, 2019, the Company recorded \$4,834 (year ended July 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at July 31, 2019, including an exchange loss of \$920, is \$70,531. (See Note 16 – Related Party Transactions).

On January 29, 2019, the Company received a loan in the amount of \$700,000 from a company with a common director and a common officer. The loan is unsecured and bears interest at 10% per annum. Principal and any unpaid interest are due on January 29, 2021. The loan was originally recorded at face value of \$700,000 less the value of the equity component of the loan, determined by discounting the loan at an appropriate market rate of interest, of \$108,147. During the year ended July 31, 2019, the Company recorded \$60,307 (year ended July 31, 2018 - \$Nil) in interest and accretion on the loan. The balance of the loan at July 31, 2019 is \$652,160. (See Note 16 – Related Party Transactions).

Loan transactions for the years ended July 31, 2019 and 2018 are summarized as follows:

	<b>Liability component</b>	<b>Equity component</b>
<b>Balance, July 31, 2017</b>	\$ 150,378	\$ -
Increases	404,634	35,366
Accrued interest and accretion	73,211	-
Repayments	(100,000)	-
<b>Balance, July 31, 2018</b>	\$ 528,223	\$ 35,366
Increases	1,192,172	203,355
Accrued interest and accretion	182,466	-
Repayments	(792,845)	-
Foreign exchange loss	11,625	-
<b>Balance, July 31, 2019</b>	\$ 1,121,641	\$ 238,721
	July 31, 2019	July 31, 2018
Short-term loans	\$ 70,531	\$ 528,223
Long-term loans	1,051,110	-
	\$ 1,121,641	\$ 528,223

**13. 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.

### 13. SHARE CAPITAL (CONT'D)

#### **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"). All comparative references herein to the number of shares, options, warrants, weighted average number of common shares and income (loss) per share have been restated for the Consolidation, including all such numbers presented for the prior year.

#### *Common shares issued during the year ended July 31, 2019*

On November 9, 2018, the Company issued 3,994,779 common shares to settle short-term and long-term related party debt of \$359,530. Of the total debt settled, \$99,051 was owing to a company controlled by the CEO of the Company.

On January 25, 2019, the Company completed the first tranche of a private placement financing issuing 10,966,668 units at a price of \$0.075 per unit for gross proceeds of \$822,500. Each unit consisted of one common share and one-half of one share purchase warrant, whereby each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 for a period of two years from the date of issuance. The warrants were valued at \$204,137 using the Black-Scholes Pricing Model. Finders' fees of \$1,125 and 15,000 finders' warrants were issued in connection with the private placement. The finders' warrants were valued at \$602 using the Black-Scholes Pricing Model with the following assumptions: risk-free rate of 1.86%, volatility of 165.18% and expected life of one year.

On January 30, 2019, the Company completed the second tranche of a private placement financing issuing 4,766,666 units at a price of \$0.075 per unit for gross proceeds of \$357,500. Each unit consisted of one common share and one-half of one share purchase warrant, whereby each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 for a period of two years from the date of issuance. The warrants were valued at \$87,618 using the Black-Scholes Pricing Model.

#### *Common shares issued during the year ended July 31, 2018*

On March 26, 2018, the Company completed a private placement financing, issuing 3,333,340 units at a price of \$0.15 per unit for gross proceeds of \$500,001. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share at \$0.30 for a period of two years from the date of issuance. Share issuance costs of \$9,634, including finders' fees in the amount of \$6,072, and 40,475 finders' warrants with a fair value of \$3,167 were paid in connection with the private placement. The finders' warrants are exercisable at \$0.15 per share for a period of one year from the date of issuance. The fair value of the finders' warrants was determined using the Black-Scholes pricing model with a risk-free rate of 1.79%, a volatility factor of 124.74%, dividends of nil, and an expected life of the warrants of one year. The fair value of warrants issued in connection with the private placement was \$116,755.

On April 23, 2018, the Company issued 433,335 common shares and 50,000 share purchase warrants to settle debt of \$65,000, of which \$25,000 was owing to a related party. The share purchase warrants are exercisable at \$0.30 per share for a period of two years from the date of issuance. The Company recorded a loss on debt settlement of \$4,363.

**13. SHARE CAPITAL (CONT'D)**

**Warrants**

During the year ended July 31, 2019, the Company extended the original expiry date of August 24, 2018, of 4,068,750 common share purchase warrants by twelve months to August 24, 2019.

In connection with the private placement financing completed on January 25 and January 30, 2019, the Company issued 7,866,667 share purchase warrants, the fair value of which was \$291,755, calculated using the Black-Scholes option pricing model, and this value is included under "warrant reserves" on the Company's consolidated statements of financial position. The warrants are exercisable at a price of \$0.10 per share for a period of two years from the date of issuance. In addition, 15,000 finders' warrants with a fair value of \$602 were issued. The finders' warrants were valued using the Black-Scholes Pricing Model with the following assumptions: risk-free rate of 1.86%, volatility of 165.18% and expected life of one year.

During the year ended July 31, 2019, 101,725 warrants expired. The fair value of the expired warrants of \$8,867 was reclassified from warrant reserve to share capital.

In connection with the private placement financing completed on March 26, 2018, the Company issued 7,866,667 share purchase warrants, the fair value of which was \$196,955, calculated using the Black-Scholes option pricing model, and this value is included under "warrant reserves" on the Company's consolidated statements of financial position. The warrants are exercisable at a price of \$0.30 per share for a period of two years from the date of issuance.

In connection with the debt settlement completed on April 23, 2018, the Company issued 50,000 share purchase warrants, the fair value of which was \$4,363, calculated using the Black-Scholes option pricing model, and this value is included under "warrant reserves" on the Company's consolidated statements of financial position. The warrants are exercisable at a price of \$0.30 per share for a period of two years from the date of issuance.

During the year ended July 31, 2018, 107,500 warrants were exercised for proceeds of \$32,250 and 1,463,928 warrants exercisable at \$0.30 expired. The fair value of the expired warrants of \$103,130 was reclassified from warrant reserve to share capital.

Share purchase warrant transactions during the years ended July 31, 2019 and 2018 are as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2017	5,701,428	0.30
Warrants issued	1,757,145	0.30
Warrants exercised	(107,500)	0.30
Warrants expired	(1,463,928)	0.30
Balance, July 31, 2018	5,887,145	\$ 0.30
Warrants expired	(101,725)	0.24
Warrants issued	7,881,666	0.10
Balance, July 31, 2019	13,667,086	\$ 0.18

The weighted average life of the warrants is 0.96 years.

**13. SHARE CAPITAL (CONT'D)**

**Warrants (cont'd)**

The following assumptions were used for the valuation of share purchase warrants issued during the years ended July 31, 2019 and 2018:

	July 31, 2019	July 31, 2018
Risk-free interest rate	1.88%	1.80%
Expected life	2 years	2 years
Estimated volatility	146%	147%
Dividend rate	0.00%	0.00%

As at July 31, 2019, the following warrants were issued and exercisable:

Number of Warrants	Exercise Price	Expiry Date
4,068,750	\$ 0.30	August 24, 2019
15,000	\$ 0.10	January 25, 2020
1,666,670	\$ 0.30	March 26, 2020
50,000	\$ 0.30	April 23, 2020
5,483,334	\$ 0.10	January 25, 2021
2,383,332	\$ 0.10	January 30, 2021
13,667,086		

**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 year ended July 31, 2019, 33,875 options expired, and 12,500 options were cancelled. The fair value of the expired and cancelled options of \$227,753 was reclassified from share-based payments reserve to deficit.

On January 19, 2018, the Company issued 400,000 incentive stock options to key members of the Company at an exercise price of \$0.22 per share and exercisable for ten years. All options issued to directors and 50% of the remainder of the options vested immediately with the balance of the options vesting over two years. The fair value of the options granted was \$79,968 determined using the Black-Scholes option pricing model with the following assumptions: risk free rate of 2.23%, volatility of 222.78%, and expected life of 10 years. During the year ended July 31, 2019, share-based payments of \$6,911 (2018 - \$70,920) were recorded in connection with the options.

During the year ended July 31, 2018, 33,750 options expired. The fair value of the expired options of \$173,436 was reclassified from share-based payments reserve to deficit.

**13. SHARE CAPITAL (CONT'D)**

**Stock Options (cont'd)**

A summary of the changes in the Company's outstanding stock options for the years ended July 31, 2019 and 2018 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance July 31, 2017	188,875	\$ 4.60
Issued	400,000	\$ 0.22
Expired	(33,750)	\$ 7.75
Balance, July 31, 2018	555,125	\$ 1.25
Expired	(33,875)	\$ 10.72
Cancelled	(12,500)	\$ 0.22
Balance, July 31, 2019	508,750	\$ 0.64

The weighted average life of the options is 6.52 years.

As at July 31, 2019, the following stock options were issued and exercisable:

Outstanding (#)	Exercisable (#)	Exercise Price (\$)	Expiry Date
96,250	96,250	2.00	Oct. 31, 2019
25,000	25,000	2.00	Dec. 3, 2019
387,500	346,875	0.22	Jan. 19, 2028
508,750	468,125		

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

The basic earnings (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 July 31, 2019 and 2018 have not been included in the calculation of diluted loss per common share as the effect of their inclusion would be anti-dilutive.

Earnings (loss) per share is calculated as follows:

Earnings (Loss) Per Share Calculation	Weighted Average Shares Outstanding	Net Earnings (Loss)	Earnings (Loss) Per Share
Year ended July 31, 2018	15,886,228	\$ (951,793)	\$ (0.06)
Year ended July 31, 2019	29,358,200	\$ (553,315)	\$ (0.02)

**15. RELATED PARTY TRANSACTIONS**

Payments to key management and directors during the years ended July 31, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 187,774	\$ 165,000
Share-based payments to directors and officers	607	46,727
<b>Total compensation</b>	<b>\$ 188,381</b>	<b>\$ 211,727</b>

Fees paid to directors and officers are included in the line item "Personnel" in the Company's consolidated statements of comprehensive income (loss).

For other related party transactions see Note 13 – Loans Payable.

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

	<b>2019</b>	<b>2018</b>
Interest and accretion on loans payable to companies with a common director and officer or to companies controlled by directors and/or officers or by significant shareholders	\$ 204,406	\$ 68,320

Included in accrued liabilities at July 31, 2019 is \$60,000 (July 31, 2018 - \$240,000) owing to an officer of the Company and included in trade payables is \$25,370 (July 31, 2018 - \$3,938) owing to an officer of the Company.

On November 9, 2018, the Company issued 3,994,779 common shares to settle related party loans of \$359,530. Of this amount, \$99,051 was owing to the CEO of the Company.

**16. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, restricted cash, accounts receivable, due from former subsidiary and trade payables. As at July 31, 2019 and 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 July 31, 2019, cash and restricted cash are classified as Level 1 and investments are classified as Level 3.

## 16. 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.

### **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 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 July 31, 2019, the Company does not use derivative instruments to reduce its exposure to currency risk.

## 17. 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

**17. CAPITAL MANAGEMENT (CONT'D)**

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.

**18. INCOME TAXES**

A reconciliation of the calculated income taxes for the fiscal years ended July 31, 2019 and 2018 are as follows:

	July 31, 2019	July 31, 2018
Combined federal and provincial statutory income tax rate	27.00%	27.00%
Accounting income (loss) before income taxes	\$ (835,638)	\$ (951,793)
Expected income tax (expense)/recovery at statutory rates	(225,622)	(256,984)
Non-deductible expenditures	35,098	19,148
Other	11,333	83,208
Effect of changes in tax rate	-	(257,160)
Change in valuation	179,191	411,788
<b>Income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The Company did not recognize the following deferred tax assets for the following deductible temporary differences:

	July 31, 2019	July 31, 2018
Non-capital losses	\$ 15,507,513	\$ 14,871,907
Share issue costs	\$ 28,825	\$ -
Capital losses	6,403,418	6,403,418
Other deductible temporary differences	1,126,174	1,137,476
	23,065,930	22,412,801
Tax benefits not recognized	(23,065,930)	(22,412,801)
Balance	\$ -	\$ -

**18. INCOME TAXES (CONT'D)**

The Company's tax loss carry-forwards that it can apply against income in future years are as follows:

<b>Tax non-capital loss carry-forward schedule</b>		
<b>Year of expiry</b>		<b>Amount</b>
2026	\$	113,597
2027		112,640
2028		168,755
2029		243,923
2030		136,128
2031		266,894
2032		650,632
2033		1,790,667
2034		6,752,599
2035		1,340,198
2036		1,337,922
2037		1,116,791
2038		779,124
2039		697,643
	\$	15,507,513

**19. SUBSEQUENT EVENTS**

Subsequent to July 31, 2019:

- 1) The Company received a loan in the amount of \$100,000 from a company related to a director. The loan is unsecured, bears interest at 10% and is payable on demand.
- 2) The Company received a loan in the amount of \$25,000 from a company related to a director. The loan is unsecured, bears interest at 10% and is payable on demand.
- 3) The Company extended the expiry date of August 24, 2019 of an aggregate of 4,068,750 common share purchase warrants by twelve months.
- 4) The Company purchased 333,334 Series B Convertible Preferred Shares ("Series B Shares") in the capital of Votigo Inc. ("Votigo"), for a price of USD \$0.90 per Series B Share, or USD \$300,001 in the aggregate. The Company will be purchasing an additional 777,777 Series B Shares at USD \$0.90 per Series B Share, or USD \$699,999 in the aggregate within one year of the completion date. The Company is the only holder of Series B Shares.

As part of the transaction, the Company also purchased 834,349 Series A Convertible Preferred Shares ("Series A Shares") out of a total issued and outstanding 1,668,695 Series A Shares, for a purchase price of \$0.8333 per Series A Share, or USD \$695,263 in the aggregate. USD \$347,632 of the purchase price will be paid in cash at closing, and the remainder \$347,631 will be paid in shares of Plank if Plank's shares become listed on a securities exchange, at a volume weighted average price of Plank's shares for the first 30 days of listing. If the Company does not list its shares on an exchange prior to nine months after closing, then it must pay the remainder of the purchase price in cash.