

# mobio technologies

## **Mobio Technologies Inc.**

Condensed Consolidated Interim Financial Statements  
(Unaudited)

(EXPRESSED IN CANADIAN DOLLARS)

**For the Three Months Ended October 31, 2019 and 2018**

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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, 2019 and 2018.

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, 2019	July 31, 2019
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash		\$ 1,036,420	\$ 307,190
Restricted cash	4	25,235	25,235
Accounts receivable	5	15,134	16,184
Digital currencies		14,963	17,545
Deposits and prepaid expenses		18,303	26,874
		<u>1,110,055</u>	<u>393,028</u>
<u>Non-Current Assets</u>			
Equipment	6	1,168	7,422
Investments	7	2,014,825	1,775,243
<b>TOTAL ASSETS</b>		<b>\$ 3,126,048</b>	<b>\$ 2,175,693</b>
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Trade payables and accruals	9	\$ 190,467	\$ 147,850
Related party loans payable	10	1,618,716	70,531
Deferred revenue and customer deposits		2,316	2,316
		<u>1,811,499</u>	<u>220,697</u>
<u>Non-Current Liabilities</u>			
Related party loans payable	10	683,257	1,051,110
<b>TOTAL LIABILITIES</b>		<b>2,494,756</b>	<b>1,271,807</b>
<b>EQUITY</b>			
Share capital	11	25,782,356	25,782,356
Warrant reserve		846,730	846,730
Equity portion of debt	10	238,722	238,722
Share-based payments reserve		98,285	166,215
Deficit		<u>(25,935,411)</u>	<u>(25,847,814)</u>
Equity attributable to the shareholders of the Company		1,030,682	1,186,209
Interest of shareholders of Plank Ventures Ltd.	11	<u>(399,390)</u>	<u>(282,323)</u>
<b>TOTAL EQUITY</b>		<b>631,292</b>	<b>903,886</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 3,126,048</b>	<b>\$ 2,175,693</b>
Nature of operations and going concern uncertainty	1		
Subsequent events	16		
<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 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	2019	2018
<b>REVENUE</b>			
Software		\$ 1,954	\$ 12,145
Cryptomining		1,635	-
		<u>3,589</u>	<u>12,145</u>
<b>EXPENSES</b>			
Depreciation	6	6,254	251
Hosting and computing services		33,194	37,679
Personnel	13	117,070	110,316
Professional fees		55,125	26,080
Office and administration		13,638	12,786
Regulatory and filing costs		2,102	6,966
Website and IT		1,857	1,797
Share-based payments		866	-
Foreign exchange		86	10,998
		<u>230,192</u>	<u>206,873</u>
<b>OTHER ITEMS</b>			
Interest income	7	(6,847)	(14,369)
Dividend income		(5,531)	-
Interest expense	10,13	55,018	39,200
Unrealized loss on fair value of digital currencies		4,217	-
		<u>46,857</u>	<u>24,831</u>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (273,460)</b>	<b>\$ (219,559)</b>
<b>Net loss attributable to:</b>			
Shareholders of Plank Ventures Ltd.		\$ (117,067)	\$ -
Shareholders of Mobio Technologies Inc.		<u>(156,393)</u>	<u>(219,559)</u>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (273,460)</b>	<b>\$ (219,559)</b>
<b>Basic and diluted loss per share</b>	12	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding, basic and diluted	12	38,147,546	18,419,433

See accompanying notes to the condensed consolidated interim financial statements.

# MOBIO TECHNOLOGIES INC.

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

(Unaudited - Expressed in Canadian dollars)

	Notes	Share capital		Reserves			Deficit attributable to shareholders of Plank Ventures Ltd.		Total
		Number of shares	Amount	Warrant reserve	Equity portion of debt	Share-based payments reserve	Deficit		
Balance at August 1, 2018		18,419,433	\$ 24,531,666	\$ 565,664	\$ 35,366	\$ 387,056	\$ -	\$ (25,522,251)	\$ (2,499)
Equity portion of debt		-	-	-	95,208	-	-	-	95,208
Expiry of options		-	-	-	-	(67,032)	-	67,032	-
Expiry of warrants		-	5,700	(5,700)	-	-	-	-	-
Loss for the period		-	-	-	-	-	-	(219,559)	(219,559)
Balance at October 31, 2018		18,419,433	24,537,366	559,964	130,574	320,024	-	(25,674,778)	(126,850)
Balance at August 1, 2019		38,147,546	25,782,356	846,730	238,722	166,215	(282,323)	(25,847,814)	903,886
Share-based payments		-	-	-	-	866	-	-	866
Expiry of options	11	-	-	-	-	(68,796)	-	68,796	-
Loss for the period		-	-	-	-	-	(117,067)	(156,393)	(273,460)
Balance at October 31, 2019		38,147,546	\$ 25,782,356	\$ 846,730	\$ 238,722	\$ 98,285	\$ (399,390)	\$ (25,935,411)	\$ 631,292

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)

Period ended October 31,	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (273,460)	\$ (219,559)
<u>Items not affecting cash</u>		
Depreciation	6,254	251
Unrealized foreign exchange losses	78	10,891
Unrealized loss on fair value of digital currencies	4,217	-
Cryptomining revenue	(1,635)	-
Accrued interest income	(6,847)	(14,369)
Accrued interest expense	55,018	39,200
Share-based payments	866	-
<u>Net changes in non-cash working capital</u>		
Accounts receivable	1,050	(5,371)
Deposits and prepaid expenses	8,571	5,424
Trade payables and accruals	42,617	55,706
Deferred revenue and deposits	-	1,718
Net cash used in operating activities	(163,271)	(126,109)
<b>INVESTING ACTIVITIES</b>		
Cash investments made	(232,499)	(457,674)
Net cash used in investing activities	(232,499)	(457,674)
<b>FINANCING ACTIVITIES</b>		
Proceeds from related party loans	1,125,000	629,828
Net cash provided by financing activities	1,125,000	629,828
<b>NET CASH FLOW FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>		
	729,230	46,045
CASH, BEGINNING OF THE PERIOD	307,190	76,883
CASH, END OF THE PERIOD	\$ 1,036,420	\$ 122,928

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. 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 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, 2019, the Company generated a net loss of \$273,460 and negative cash flow from operations of \$163,271. 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 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 27, 2019, 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, 2019, and 2018.

**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.

**Basis of Consolidation**

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

**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.

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, 2019. 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****Leases**

On August 1, 2019, the Company adopted IFRS 16. IFRS 16 is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The adoption of this new standard did not have a material impact on the condensed consolidated interim financial statements.

**4. RESTRICTED CASH**

The Company has pledged \$25,235 (July 31, 2019 - \$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.

	October 31, 2019		July 31, 2019	
Trade and other receivables	\$	7,834	\$	11,314
GST recoverable		7,300		4,870
Total accounts receivable	\$	15,134	\$	16,184

## 6. EQUIPMENT

	Cryptomining Equipment		Computer Equipment		Total
<b>Cost</b>					
<b>Balance October 31, 2019 and July 31, 2019</b>	\$	9,674	\$	7,617	\$ 17,291
<b>Amortization</b>					
<b>Balance July 31, 2019</b>	\$	3,628	\$	6,241	\$ 9,869
Additions		6,046		208	6,254
<b>Balance October 31, 2019</b>	\$	9,674	\$	6,449	\$ 16,123
<b>Net book value</b>					
<b>Balance July 31, 2019</b>	\$	6,046	\$	1,376	\$ 7,422
<b>Balance October 31, 2019</b>	\$	-	\$	1,168	\$ 1,168

## 7. INVESTMENTS

The following tables set forth the changes to the Company's investments during the three months ended October 31, 2019 and the year ended July 31, 2019:

### Three Months Ended October 31, 2019

Opening Balance	Purchases	Change in Fair Value of Investments		Accrued Interest	Foreign Exchange Loss	Fair Value
\$ 1,775,243	\$ 232,499	\$	-	\$ 6,847	\$ 236	\$ 2,014,825

### Year Ended July 31, 2019

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

## 8. 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.

## 9. TRADE PAYABLES AND ACCRUALS

	October 31, 2019	July 31, 2019
Accounts payable	\$ 59,904	\$ 67,570
Accrued liabilities	130,563	80,280
Total accounts payable and accrued liabilities	\$ 190,467	\$ 147,850

Included in accrued liabilities at July 31, 2019 is \$90,000 (July 31, 2019 - \$60,000) owing to an officer of the Company and included in trade payables is \$13,348 (July 31, 2019 - \$5,792) owing to an officer of the Company (see Note 13 – Related Party Transactions).

## 10. RELATED PARTY LOANS PAYABLE

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 period ended October 31, 2019, the Company recorded \$18,451 (Note 13) (period ended October 31, 2018 - \$11,475) in interest and accretion on the loan. The balance of the loan at October 31, 2019, is \$417,660.

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 three months ended October 31, 2019, the Company recorded \$1,668 (Note 13) (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$72,254.

On August 14, 2019, the Company received a loan in the amount of \$25,000 from a company controlled by an officer. The loan is unsecured, due on demand and bears interest at 10% per annum. During the three months ended October 31, 2019, the Company recorded \$541 (Note 13) (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$25,541.

On August 29, 2019, the Company received a loan in the amount of \$100,000 from a company controlled by a significant shareholder. The loan is unsecured, due on demand and bears interest at 10% per annum. During the three months ended October 31, 2019, the Company recorded \$1,754 (Note 13) (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$101,754.

**10. RELATED PARTY LOANS PAYABLE**

On October 21, 2019, the Company received a loan in the amount of \$1,000,000 from a company controlled by a significant shareholder. The loan is secured by a promissory note, bears interest at 5% and is due on demand. During the period ended October 31, 2019, the Company recorded interest of \$1,507 (Note 13) (period ended October 31, 2018 - \$Nil) on the loan. The balance of the loan at October 31, 2019 is \$1,001,507.

**Long term loans**

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 period ended October 31, 2019, the Company recorded \$31,097 (Note 13) (period ended October 31, 2018 - \$Nil) in interest and accretion on the loan. The balance of the loan at October 31, 2019 is \$683,257.

Loan transactions for the three months ended October 31, 2019 are summarized as follows:

	<b>Liability component</b>	<b>Equity component</b>
<b>Balance, July 31, 2019</b>	\$ 1,121,641	\$ 238,722
Increases	1,125,000	-
Accrued interest and accretion	55,018	-
Foreign exchange loss	314	-
<b>Balance, October 31, 2019</b>	<b>\$ 2,301,973</b>	<b>\$ 238,722</b>
	October 31, 2019	July 31, 2019
Short-term loans	\$ 1,618,716	\$ 70,531
Long-term loans	683,257	1,051,110
	<b>\$ 2,301,973</b>	<b>\$ 1,121,641</b>

**11. 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:**

38,147,546 common shares (July 31, 2019 – 38,147,546)

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

During the period ended October 31, 2019, the Company extended the expiry date of August 24, 2019, of 4,068,750 common share purchase warrants by twelve months to August 24, 2020.

There were no other share purchase warrant transactions for the period ended October 31, 2019.

The weighted average life of the warrants is 1.01 years.

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

Number of Warrants	Exercise Price	Expiry Date
15,000	\$ 0.10	January 25, 2020
1,666,670	\$ 0.30	March 26, 2020
50,000	\$ 0.30	April 23, 2020
4,068,750	\$ 0.30	August 24, 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 period ended October 31, 2019, 96,250 options expired unexercised. The fair value of the expired options of \$68,796 was reclassified from share-based payments reserve to deficit.

A summary of the changes in the Company's outstanding stock options for the period ended October 31, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2019	508,750	\$ 0.64
Expired	(96,250)	\$ 10.72
Balance, October 31, 2019	412,500	\$ 0.33

The weighted average life of the options is 7.73 years.

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

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

Outstanding (#)	Exercisable (#)	Exercise Price (\$)	Expiry Date
25,000	25,000	2.00	Dec. 3, 2019
387,500	346,875	0.22	Jan. 19, 2028
412,500	371,875		

**Interest of Shareholders 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.

**12. 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, 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.

Loss Per Share Calculation	Weighted Average Shares Outstanding	Net Loss	Loss Per Share
Three months ended October 31, 2018	18,419,433	\$ (219,559)	\$ (0.01)
Three months ended October 31, 2019	38,147,546	\$ (156,393)	\$ (0.00)

### 13. RELATED PARTY TRANSACTIONS

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

Period Ended October 31,	2019	2018
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 51,458	\$ 41,250
Share-based payments to directors and officers	\$ 79	\$ -
Total compensation	\$ 51,537	\$ 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 transactions see Note 13 – Loans Payable.

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

Period Ended October 31,	2019	2018
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	\$ 55,018	\$ 30,676

Included in accrued liabilities at October 31, 2019 is \$90,000 (July 31, 2019 - \$60,000) owing to an officer of the Company and included in trade payables is \$13,348 (July 31, 2019 - \$25,370) owing to an officer of the Company.

### 14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, accounts receivable, related party loans payable and trade payables. As at October 31, 2019 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, 2019, cash and restricted cash are classified as Level 1 and investments are classified as Level 3.

**14. 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. At October 31, 2019, the Company has \$350,000 in US dollar loans and \$199,636 in US dollar investments. 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, 2019, the Company does not use derivative instruments to reduce its exposure to currency risk. At October 31, 2019, a ten percent change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by \$19,788.

**15. 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

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

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.

**16. SUBSEQUENT EVENTS**

Plank 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 \$300,000 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, no later than the one-year anniversary of the closing. Plank is the only holder of Series B Shares.

As part of the transaction, Plank 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 Plank 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.

In connection with the transaction, Plank issued 300,000 stock options to purchase common stock in the capital of Plank at an exercise price of \$0.10 per common share. The options vest over four years, with one quarter of the options vesting upon the one-year anniversary of closing, and thereafter vesting monthly.