



Nubeva Technologies Ltd.

Condensed Consolidated Financial Statements

Unaudited

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

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31, 2019 and April 30, 2019

(Expressed in United States Dollars)

	October 31, 2019	April 30, 2019
Assets		
Current assets:		
Cash and money market instruments (notes 4 and 15)	\$ 3,126,800	\$ 4,776,664
Accounts receivables (note 5)	51,789	54,743
Tax credit receivable (note 6)	412,030	513,261
Digital currency (note 7)	30,126	17,522
Prepaid expenses and deposits (note 8)	73,672	135,821
Total current assets	3,694,417	5,498,011
Total Assets	\$ 3,694,417	\$ 5,498,011
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 405,196	\$ 536,759
Deferred revenue (note 10)	2,924	-
Total Liabilities	408,120	536,759
Shareholders' Equity		
Common share capital (note 12)	13,653,920	13,597,652
Reserves (note 12)	721,805	628,841
Deficit	(10,995,421)	(9,176,892)
Accumulated other comprehensive loss	(94,007)	(88,349)
Total Equity	3,286,297	4,961,252
Total Liabilities and Shareholders' Equity	\$ 3,705,248	\$ 5,498,011

Subsequent event – note 17

Approved by the directors:

_____"Randy Chou"_____

_____ "Greig Bannister" _____

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

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in United States Dollars)

	Three Months Ended		Six Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
Revenue (note 14)	\$ 38,511	\$ 104,520	\$ 77,667	\$ 809,750
	38,511	104,520	77,667	809,750
Operating expenses:				
General and administrative (note 13)	202,544	300,257	378,076	550,912
Research and development (note 13)	341,777	214,361	664,260	488,488
Sales and marketing (note 13)	387,209	244,212	745,107	538,105
Share-based compensation (note 12)	66,219	38,700	150,947	215,948
Total expenses	997,749	797,530	1,938,390	1,793,453
Other Items				
Interest income	15,738	-	39,433	469
Fair value gain (loss) on digital currency (note7)	(2,901)	-	12,604	-
Foreign exchange gain (loss)	(1,177)	5,988	(10,125)	42,997
Net Loss from continuing operations	(947,578)	(687,022)	(1,818,811)	(940,237)
Income from discontinued operations	-	(27,697)	-	610,155
Net loss	\$ (947,578)	\$ (714,719)	\$ (1,818,811)	\$ (330,082)
Other comprehensive income, items that will be recycled through profit and loss				
Foreign currency translation adjustment	(6,092)	(51,056)	(5,658)	(75,386)
Total Comprehensive loss	\$ (953,670)	\$ (765,775)	\$ (1,824,469)	\$ (405,468)
Earnings per share - basic and diluted, discontinued operations	\$ -	\$ (0)	\$ -	\$ 0.01
Loss per share - basic and diluted, continuing operations	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding	55,816,623	53,148,567	55,759,834	52,964,110

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

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Six Months Ended October 31, 2019 and 2018

(Expressed in United States Dollars)

	Share capital		Reserves		Deficit	Accumulated Other Comprehensive Loss	Total
	Common Shares	Amount	Share Based Payment Reserve	Warrants Reserve			
Balance April 30, 2018	52,778,898	\$ 12,554,932	\$ 155,823	\$ 104,139	\$ (5,671,017)	\$ (38,472)	\$ 7,105,405
Private placement, net of share issuance costs \$191,999	1,935,483	959,156					959,156
Options exercised	20,643	980	(186)				794
Share-based compensation	-	-	214,556	-	-	-	214,556
Warrants exercised	8,211	7,642	-	(2,793)	-	-	4,849
Foreign currency translation	-	-	-	-	-	(75,386)	(75,386)
Net loss for period	-	-	-	-	(330,082)	-	(330,082)
Balance October 31, 2018	54,743,235	\$ 13,522,710	\$ 370,193	\$ 101,346	\$ (6,001,099)	\$ (113,858)	\$ 7,879,292
Balance April 30, 2019	55,683,963	\$ 13,597,652	\$ 527,495	\$ 101,346	\$ (9,176,892)	\$ (88,349)	\$ 4,961,252
Share-based compensation (note 12)	-	-	147,858	-	-	-	147,858
Options exercised (note 12)	43,548	2,019	(363)	-	-	-	1,656
RSU issued	174,672	54,249	(54,249)	-	-	-	-
Foreign currency translation	-	-	-	-	-	(5,658)	(5,658)
Forfeited options (note 12)	-	-	(282)	-	282	-	-
Net loss for period	-	-	-	-	(1,818,811)	-	(1,818,811)
Balance October 31, 2019	55,902,183	\$ 13,653,920	\$ 620,459	\$ 101,346	\$ (10,995,421)	\$ (94,007)	\$ 3,286,297

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

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended October 31,
(Expressed in United States Dollars)

	2019	2018
Operating activities, continuing operations:		
Net loss for the period, continuing operations	\$ (1,818,811)	\$ (940,237)
Items not involving cash:		
Share based compensation	147,858	211,577
Sales settled in digital currencies	-	(943,620)
Fair value loss on digital currency	(12,604)	-
Foreign exchange	11,238	56,221
Changes in non-cash working capital items related to operations:		
Accounts receivable	2,954	(19,139)
Prepaid expenses	62,149	(28,232)
Tax credits receivable	89,993	148,133
Accounts payable and accrued liabilities	(131,563)	(229,350)
Deferred revenue	2,924	-
Cash used for operating activities, continuing operations	(1,645,862)	(1,744,647)
Financing activities:		
Private placement, net of share issuance costs \$191,999	-	959,156
Options exercised	1,656	794
Warrants exercised	-	4,849
Cash from financing activities, continuing operations	1,656	964,799
Effect of foreign exchange on cash, continuing operations	(5,658)	(75,386)
Net decrease in cash during the period, continuing operations	(1,649,864)	(855,234)
Cash, beginning of the period	4,773,917	7,501,346
Cash and money market investments, end of the period, continuing operations	\$ 3,124,053	\$ 6,646,112
Net cash flows used in operating activities, discontinued operations	\$ -	\$ 2,747
Cash, beginning of the period	2,747	-
Cash and money market investments, end of the period, discontinued operations	\$ -	2,747
Net decrease in cash and money market investments, continuing operations	\$ (1,649,864)	\$ (855,234)
Net increase in cash during the period, discontinued operations	-	2,747
Net cash used during the period	(1,649,864)	(852,487)
Cash beginning of the period	4,776,664	7,501,346
Cash and money market investments, end of the period	\$ 3,126,800	\$ 6,648,859

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

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the three and six months ended October 31, 2019 and 2018

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS

Nubeva Technologies Ltd. (“the Company” or “Nubeva”) was incorporated under the provisions of The Business Corporations Act (British Columbia) on February 3, 2017. The Company was a Capital Pool Company and had no business operations prior to February 28, 2018. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”). The Company’s registered and records office are located at Suite 1080, 789 West Pender Street, Vancouver, BC, V6C 1H2.

Nubeva develops Software-as-a-Service (“SaaS”) solutions that enable enterprises to run cybersecurity in the cloud.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at October 31, 2019, the Company had working capital of \$3,286,297 (April 30, 2019 - \$4,961,252) and incurred a net loss for six months ended October 31, 2019 of \$1,818,811 (2018 – \$330,082). Management estimates that its working capital position will provide the Company with sufficient financial resources to carry out planned operations through the next twelve months.

2. STATEMENT OF COMPLIANCE

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”). These consolidated financial statements were approved by the Audit Committee of the Board of Directors on December 17, 2019.

Effective November 26, 2018 the Company discontinued operations of CBR Project PTE Ltd. The Company’s revenue, expenses and changes in cash and money market investments do not include its discontinued operations. Operating results of the discontinued operation are separately reported on the Company’s consolidated financial statements.

3. ACCOUNTING STANDARDS AND AMENDMENTS ISSUED AND ADOPTED

During the year ended April 30, 2019, the Company adopted IFRS 9, Financial Instruments which did not have a material impact on the Company’s financial instruments.

The standards and interpretations that are issued up to the date of issuance of the Company’s financial statements but were not effective during the year ended April 30, 2019 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases (i)

(i) Effective for annual periods beginning on or after January 1, 2019

The adoption of IFRS 16 is not expected to have an impact on the Company’s financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial instruments.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

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(Expressed in United States Dollars)

4. CASH AND MONEY MARKET INSTRUMENTS

	October 31, 2019	April 30, 2019
Cash	\$ 137,522	\$ 276,170
Money market funds	1,093,793	2,313,342
U.S. Treasury bills	1,895,485	2,187,152
	\$ 3,126,800	\$ 4,776,664

See note 15.

5. ACCOUNTS RECEIVABLE

	October 31, 2019	April 30, 2019
Trade receivables	\$ 42,577	\$ 36,828
GST receivables	9,212	17,915
	\$ 51,789	\$ 54,743

6. TAX CREDIT RECEIVABLE

The Company is eligible to receive tax credits from its eligible research and development expenditures. The Company records the anticipated tax credits as a reduction in the costs to which they apply, at such time that the amount of tax credits is estimable and their receipt is reasonably assured. As at October 31, 2019 the, the Company has estimated tax credits receivable of \$412,030 (April 30, 2019 – \$513,261).

7. DIGITAL CURRENCY

	October 31, 2019	April 30, 2019
	Quoted Market Price	Quoted Market Price
Bitcoin	\$ 30,126	\$ 17,522

8. PREPAID EXPENSES AND DEPOSITS

	October 31, 2019	April 30, 2019
Deposit and prepaid office rent	\$ 25,178	\$ 25,464
Other	48,494	110,357
	\$ 73,672	\$ 135,821

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2019	April 30, 2019
Accounts payable	\$ 176,496	\$ 200,571
Accrued liabilities	228,700	336,188
	\$ 405,196	\$ 536,759

10. DEFERRED REVENUE

Deferred revenue of \$2,924 at October 31, 2019 (April 30, 2019 – Nil) is reported net of accounts receivable until the earlier of either (i) the date the payment becomes due and (ii) the date the goods or services are delivered.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

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(Expressed in United States Dollars)

11. RELATED PARTY TRANSACTIONS

The following amounts, included in accounts payable and accrued liabilities (note 10), are payable to related parties as at October 31, 2019 and 2018:

	October 31, 2019	April 30, 2019
Expenses incurred on behalf of Company	\$ 6,439	\$ 3,848
Accrued payroll	11,073	-
Consulting fees	19,266	19,251
Bonuses	-	102,108
Board Services	15,000	11,800
	\$ 51,778	\$ 137,007

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key Management Compensation

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company, during the period ended:

	Six months ended October 31, 2019	Six months ended October 31, 2018
Salary	\$ 307,545	\$ 369,988
Bonus	-	47,910
Consulting	115,592	-
Board services	30,000	30,000
Share-based compensation	62,664	199,801
	\$ 515,801	\$ 647,699

12. SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited common shares without par value; and
Unlimited Restricted Voting Common Shares without par value. Restricted Voting Common Shares may be entitled to receive dividends as and when declared by the board of directors, only if the same dividend is declared or paid on the common shares. Restricted Voting Common Shares may be converted into common shares on a one-for-one basis without payment of additional consideration, at the option of the holder with consent of the board of directors, and at any time at the option of the board of directors.

(b) Issued Share Capital

At October 31, 2019 there were 55,902,183 (April 30, 2019 – 40,912,996) common shares issued and fully paid and Nil (April 30, 2019 – 14,770,967) Restricted Voting Common Shares issued and fully paid.

(c) Shares Issued during the period

During the period ended October 31, 2019, the Company issued 43,548 common shares pursuant to the exercise of options for gross proceeds of \$2,019.

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During the period ended October 31, 2019, the Company issued 174,672 common shares pursuant to the Restricted Share Units (“RSU”).

(d) Escrow Shares

Effective February 28, 2018 the Company (formerly Sherpa Holdings Corp.) and Nubeva, Inc. entered into an agreement (the “Merger Agreement”) under which the Company acquired 100% the issued and outstanding securities of the Nubeva, Inc. resulting in a reverse takeover (“RTO”). Pursuant to the RTO, 13,000,000 Restricted Voting Common Shares and 20,696,775 common shares were subject to escrow conditions. The escrowed shares are to be released in four equal installments, the first upon closing of the RTO and the remainder every six months thereafter. On September 3, 2019, the remaining 8,424,194 common shares held in escrow in connection with the Company’s RTO and listing, which included 3,250,000 Restricted Voting Common shares and 5,174,194 common shares, were released.

(e) Stock Based Compensation

On August 30, 2019 the Company’s shareholders amended its compensation plans to increase the number of common shares reserved for issuance under all share compensation arrangements to 11,100,000 from 10,550,000 as follows:

- (i) Increase the number of common shares reserved for issuance under the Company’s Fixed Share Option Plan to 7,500,000, and
- (ii) Reduce the number of common shares reserved for issuance under the Company’s Restricted Share Unit Plan to 3,600,000.

The following table summarizes the Company’s outstanding equity compensation as at October 31, 2019 and April 30, 2019:

	October 31, 2019			April 30, 2019		
	Units	Weighted average exercise price (CAD \$)	Weighted average remaining life (years)	Units	Weighted average exercise price (CAD \$)	Weighted average remaining life (years)
Stock options (i)	4,364,119	\$0.28	7.65	4,361,538	\$0.28	8.30
RSUs (ii)	448,974	-	0.93	623,346	-	1.50
Units outstanding	4,812,793	\$0.28	7.19	4,984,884	\$0.28	8.80

(i) Options

Options to purchase common shares may be granted to directors, consultants, officers and employees of the Company and its subsidiary for terms up to ten years at a price at least equal to the market price prevailing on the date of the grant.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the three and six months ended October 31, 2019 and 2018

(Expressed in United States Dollars)

The continuity of the stock options for the period ended October 31, 2019:

	Options	Weighted Average Exercise Price (CAD)
Balance April 30, 2019	4,361,538	\$ 0.28
Granted	80,000	0.10
Forfeited	(33,871)	0.05
Exercised	(43,548)	0.05
Balance October 31, 2019	4,364,119	\$ 0.28

Details of options outstanding at October 31, 2019 are as follows:

Number of Options Outstanding	Expiry Date	Weighted Average Exercise	Weighted Average Remaining Life (Years)
38,710	12-Apr-26	\$0.05	6.45
58,065	14-Apr-26	\$0.05	6.46
38,710	05-May-26	\$0.05	6.52
77,419	04-Jun-26	\$0.05	6.60
77,419	14-Jun-26	\$0.05	6.62
38,710	20-Jun-26	\$0.05	6.64
42,581	21-Jun-26	\$0.05	6.64
11,613	08-Sep-26	\$0.05	6.86
13,548	17-Sep-26	\$0.05	6.88
38,710	06-Oct-26	\$0.05	6.94
30,968	25-Nov-26	\$0.05	7.07
1,167,096	09-Jan-27	\$0.05	7.20
13,548	11-Jan-27	\$0.05	7.20
108,387	16-Jan-27	\$0.05	7.22
42,581	17-Jan-27	\$0.05	7.22
134,195	29-May-27	\$0.05	7.58
282,581	19-Jun-27	\$0.05	7.64
92,903	21-Jun-27	\$0.05	7.64
700,820	05-Sep-27	\$0.05	7.85
139,355	01-Nov-27	\$0.80	8.01
386,000	23-Mar-28	\$1.52	8.40
105,000	11-Apr-28	\$1.52	8.45
95,000	15-Jan-29	\$0.42	9.22
550,200	16-Apr-29	\$0.27	9.47
20,000	28-Sep-29	\$0.10	9.92
60,000	10-Oct-29	\$0.10	9.95
4,364,119		0.28	7.84

At October 31, 2019, there were 2,609,171 stock options exercisable (2019 – 2,281,733).

(ii) RSU's

RSU's are equity settled only and may be granted to directors, consultants, officers and employees of the Company. Compensation expense is recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSU's expected to vest and recognized ratably over the vesting period, with a corresponding credit to the share based compensation reserve. Adjustments to the number of

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the three and six months ended October 31, 2019 and 2018

(Expressed in United States Dollars)

RSUs expected to vest are recognized in the current period. Share-based compensation of \$78,136 (2018 - \$Nil) was recorded for RSUs during the six months ended October 31, 2019.

The continuity of the RSUs for the three months ended October 31, 2019 is as follows:

	RSU's	Weighted average grant price (\$ CAD)
Balance, April 30, 2019	623,346	\$0.41
Released	(174,672)	-
Balance, October 31, 2019	448,674	\$0.41

Details of RSUs outstanding as at October 31, 2019 are as follows:

Grant date	Number outstanding(1)	Grant price (\$ CAD)	Expiry date	Remaining life (years)
January 15, 2019	262,524	\$0.41	09/30/2020	0.92
January 15, 2019	40,000	\$0.41	10/08/2020	0.94
January 15, 2019	110,000	\$0.41	11/18/2020	1.05
January 15, 2019	36,150	\$0.41	09/18/2020	0.88
Total outstanding	448,674			

(iii) Warrants

	Warrants	Weighted Average Exercise Price (CAD)
Balance April 30, 2019 and October 31, 2019	36,476	\$ 0.09

Details of warrants outstanding at October 31, 2019 are as follows:

Number of Warrants Outstanding	Exercise Price (CAD)	Expiry Date	Exercise Price (CAD)	Remaining Life (Years)
36,476	\$0.78	28-Feb-20	\$0.78	0.33

g) Reserves

Reserves comprised of items recognized as stock-based compensation expense include RSU's and stock options. Upon exercise of options or vesting of RSU's the corresponding amount will be transferred from the reserve to share capital. In the event that stock-based compensation is cancelled or expires unexercised, the corresponding amount is removed from the reserve and credited to retained earnings.

Reserves relating to warrants are transferred to share capital on the date they are exercised. The Company does not adjust the reserve for warrants that expire unexercised.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the three and six months ended October 31, 2019 and 2018

(Expressed in United States Dollars)

13. EXPENSES BY NATURE

For the six months ended October 31, 2019

	General and Administration	Research and Development⁽¹⁾	Sales and Marketing
Office expense and operations	\$ 216,128	\$ 145,305	\$ 147,524
Personnel	148,706	507,863	589,982
Travel	13,242	11,092	7,601
Totals	\$ 378,076	\$ 664,260	\$ 745,107

(1) Research and development expenses are reported net of refundable tax credits in the amount of \$46,117 related to office expense and operations and \$154,393 related to personnel.

For the six months ended October 31, 2018

	General and Administration	Research and Development	Sales and Marketing
Office expense and operations	\$ 362,379	\$ 153,930	\$ 181,070
Personnel	180,283	315,017	329,790
Travel	8,250	19,541	27,245
Totals	\$ 550,912	\$ 488,488	\$ 538,105

14. REVENUE

	Six months ended October 31, 2019	Six months ended October 31, 2018
Subscriptions	\$ 77,667	\$ -
Software and services	-	809,750
Totals	\$ 77,667	\$ 809,750

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The following provides information with respect to the Company's exposure to certain financial risks:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at October 31, 2019 the Company had cash and marketable securities of \$3,126,800 (April 30, 2019 - \$4,776,664) to settle current liabilities of \$418,951 (April 30, 2019 - \$536,759).

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's sales are in US Dollars and although the majority of its operating expenses are denominated in US Dollars, a

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the three and six months ended October 31, 2019 and 2018

(Expressed in United States Dollars)

portion of general and administrative costs are denominated in Canadian Dollars and a portion of Research and Development costs are denominated in Australian Dollars exposing the Company to foreign exchange risk. The Company monitors its exposure to foreign exchange risk and converts any surplus funds to US Dollars to provide a natural hedge.

As at October 31, 2019 and April 30, 2019, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies, converted to US Dollars at the prevailing rate at the end of each of the reporting periods:

	October 31, 2019		April 30, 2019	
	Australian Dollars	Canadian Dollars	Australian Dollars	Canadian Dollars
Cash	\$ 58,362	\$ 34,176	\$ 29,230	\$ 114,199
Accounts receivable and prepaid	18,520	26,339	5,394	12,521
Income tax receivable	282,067	-	513,261	-
Accounts payable and accrued liabilities	(124,561)	(97,176)	(152,230)	(85,740)
Total	\$ 234,388	\$ (36,661)	\$ 395,655	\$ 40,980

Based on the above net exposures, as at October 31, 2019, a 10% change in the Canadian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$23,439 and a 10% change in the Australian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$3,666.

Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to fund research and development, engage in sales and marketing activities, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity. The Company uses capital to finance its operating losses. The Company currently funds these requirements from cash raised through the issuance of common shares. The Company also holds digital currencies, which are current assets with no contractual right to be converted to cash. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity help build its portfolio of cloud-based security solutions from which it will obtain returns on investment.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. There is no external restriction on the Company's capital. The Company did not institute any changes to its capital management strategy during the period.

Investment Risk

As at October 31, 2019 the Company's cash and marketable securities were comprised of cash in the amount of \$137,522 (2019 - \$276,170), money market funds in the amount of \$1,093,793 (2019 - \$2,313,342) and United States Treasury bills in the amount of \$1,895,485 (2019 - \$2,187,152). US Treasury bills are guaranteed by the U.S. Government and have a rating of AA+ (Standard & Poors), and AAA (Moody's).

Money market funds were comprised as follows:

- i) 50% of Blackrock BLF FedFund, AAA rated with investments in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government; and
- ii) 50% Morgan Stanley Institutional Liquidity Funds (MSILF) Government Portfolio, AAA rated, liquid, high-quality debt securities issued by the U.S. government

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For the three and six months ended October 31, 2019 and 2018

(Expressed in United States Dollars)

Although certain money market fund investments may be guaranteed, the funds themselves are not insured or guaranteed and the Company could lose money. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The prices of fixed income securities respond to economic developments, including interest rate changes. Prices may be inversely affected by changes in interest rates. Accordingly, money market funds are subject to interest rate risk, and in a rising interest rate environment, portfolio shares can decline in value.

16. SEGMENT REPORTING

At October 31, 2019 the Company operates in one operating segment, the development and commercialization of software to support the provision of cloud-based security. The Company commenced earning revenues from the license of its software and services in August 2018.

17. SUBSEQUENT EVENTS

The Company issued 32,385 common shares pursuant to the Restricted Share Units (“RSU”).