



**01 Communique Laboratory Inc.**

**Interim Consolidated Financial Statements**

**for the period ended July 31, 2021**

**(Unaudited)**

**TSX-V : ONE; OTCQB: OONEF**

Dated: September 8, 2021

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

	31-July-21	31-Oct-20
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,161,785	\$ 962,337
Guaranteed investment certificate (note 4)	-	60,000
Accounts receivable (note 2(a))	231,469	202,974
Prepaid expenses and other assets	28,234	25,343
	<u>1,421,488</u>	<u>1,250,654</u>
Plant and equipment (note 15)	139,084	35,253
	<u>\$ 1,560,572</u>	<u>\$ 1,285,907</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 168,184	\$ 151,111
Deferred revenue	8,665	7,679
Lease liability (note 12)	42,822	18,704
	<u>219,671</u>	<u>177,494</u>
<b>Non-current liabilities</b>		
Lease liability	77,066	-
CEBA loan payable (note 6)	60,000	-
Total liabilities	<u>137,066</u>	<u>177,494</u>
<b>Shareholders' deficit</b>		
Share capital (note 7(a))	43,963,581	43,395,752
Contributed surplus	5,824,110	5,717,636
Warrants (note 7(c))	93,532	266,135
Deficit	(48,677,388)	(48,271,110)
	<u>1,203,835</u>	<u>1,108,413</u>
Contingencies (note 11)		
Total liabilities and shareholders' deficit	<u>\$ 1,560,572</u>	<u>\$ 1,285,907</u>

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**  
**For the 3 and 9 month periods ended July 31, 2021 and 2020**

	<i>three months ended</i>		<i>nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Revenue (note 13)	\$ 211,831	\$ 235,160	\$ 722,324	\$ 349,827
Expenses: (note 14)				
Selling, general and administrative	207,909	111,153	570,400	415,724
Research and development	209,766	120,717	485,871	323,215
Withholding taxes	20,660	22,900	70,651	34,172
	<u>438,334</u>	<u>254,770</u>	<u>1,126,922</u>	<u>773,111</u>
Loss before accretion on liability component of debenture, interest, and other income	(226,503)	(19,610)	(404,598)	(423,284)
Interest on debenture	-	15,000	-	45,000
Accretion on liability portion of debenture	-	4,535	-	13,832
Loss before other income and expense	(226,503)	(39,145)	(404,598)	(482,116)
Interest income	(2,166)	-	(751)	875
Interest expense	1,595	671	2,431	2,100
Loss for the period and comprehensive loss	<u>\$ (228,762)</u>	<u>\$ (39,816)</u>	<u>\$ (406,278)</u>	<u>\$ (483,341)</u>
Loss per common share (note 8)				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares (note 8)				
Basic	93,278,000	80,985,653	92,246,000	80,243,450
Diluted	93,278,000	80,985,653	92,246,000	80,243,450

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Unaudited)**  
**For the 9 month periods ended July 31, 2021 and 2020**

July 31, 2021	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
Balance October 31, 2020	91,393,973	\$ 43,395,752	\$ 5,717,636	\$ 266,135	\$(48,271,110)	\$ 1,108,413
Comprehensive loss for the period	-	-	-	-	(406,278)	(406,278)
Stock based compensation expense	-	-	136,614	-	-	136,614
Exercise of stock options	860,000	73,640	(30,140)	-	-	43,500
Exercise of warrants	2,197,248	494,189	-	(172,603)	-	321,586
<b>Balance, July 31, 2021</b>	<b>94,451,221</b>	<b>\$ 43,963,581</b>	<b>\$ 5,824,110</b>	<b>\$ 93,532</b>	<b>\$(48,677,388)</b>	<b>\$ 1,203,835</b>

July 31, 2020	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
Balance October 31, 2019	80,235,472	\$41,414,233	\$5,668,916	\$697,447	\$(47,613,942)	\$ 166,654
Comprehensive loss for the period	-	-	-	-	(483,341)	(483,341)
Cancellation of warrants	-	-	-	(4,762)	-	(4,762)
Equity component of new debenture	-	-	-	21,700	-	21,700
Equity financing	1,683,334	111,612	-	79,950	-	191,562
Stock based compensation expense	-	-	96,750	-	-	96,750
<b>Balance July 31, 2020</b>	<b>81,918,806</b>	<b>\$41,525,845</b>	<b>\$5,765,666</b>	<b>\$794,335</b>	<b>\$(48,097,283)</b>	<b>\$ (11,437)</b>

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**For the 3 and 9 month periods ended July 31, 2021 and 2020**

	<i>three months ended</i>		<i>nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Cash provided by (used in):				
Operating activities:				
Comprehensive loss for the period	\$ (228,762)	\$ (39,816)	\$ (406,278)	\$ (483,341)
Adjustments to reconcile loss for the period to net cash flows from operating activities:				
Depreciation of property and equipment	1,777	1,388	5,431	4,340
Amortization of right-of-use asset	11,219	11,061	34,298	33,183
Stock-based compensation expense	70,850	23,600	136,614	96,750
Accretion on liability portion of debenture	-	4,535	-	13,832
Change in non-cash working capital	<u>96,870</u>	<u>(185,167)</u>	<u>(13,327)</u>	<u>(183,340)</u>
	(48,046)	(185,274)	(243,262)	(519,451)
Financing activities:				
Exercise of stock options	41,750	-	43,500	-
Exercise of warrants	269,587	-	321,587	-
Proceeds from private placement	-	202,000	-	202,000
Issuance costs on private placement	-	(10,438)	-	(10,438)
Proceeds from loan	-	-	60,000	-
Lease payments made	<u>(11,338)</u>	<u>(10,296)</u>	<u>(33,451)</u>	<u>(32,226)</u>
	299,999	181,266	391,636	159,336
Investing activities:				
Proceeds from guaranteed investment certificate	-	-	60,000	190,000
Purchase of property and equipment	<u>(4,225)</u>	<u>(266)</u>	<u>(8,926)</u>	<u>(2,417)</u>
	(4,225)	(266)	51,074	187,583
Increase in cash and cash equivalents	247,728	(4,274)	199,448	(172,532)
Cash and cash equivalents, beginning of period	<u>914,057</u>	<u>115,454</u>	<u>962,337</u>	<u>283,712</u>
Cash and cash equivalents, end of period	<u>\$ 1,161,785</u>	<u>\$ 111,180</u>	<u>\$ 1,161,785</u>	<u>\$ 111,180</u>
Cash and cash equivalents comprise:				
Cash			\$ 1,161,785	\$ 111,180

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**Three and nine month periods ended July 31, 2021 and 2020**

**Notice to reader of the interim consolidated financial statements**

These unaudited interim condensed consolidated financial statements (“interim consolidated financial statements”) of 01 Communique Laboratory Inc. (the “Company”), which include the accompanying interim consolidated statement of financial position as at July 31, 2021 and the interim consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity and cash flows for the three and nine month periods ended July 31, 2021 and 2020, are the responsibility of the Company’s management. These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, McGovern Hurley LLP. The unaudited interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with accounting principles generally accepted in Canada. These unaudited interim consolidated financial statements are prepared under International Financial Reporting Standards (“IFRS”) and reflect management’s best estimates and judgment based on information currently available.

01 Communique Laboratory Inc. (the "Company") was incorporated on October 7, 1992 under the laws of Ontario. The Company’s cybersecurity business unit focuses on its IronCAP™ patent-pending cryptographic system. The Company’s remote access business unit focuses on its I’m InTouch suite of secure remote access services and products. These consolidated financial statements are prepared under International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgment based on information currently available.

The Company's head office is located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5 and its common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol ONE and quoted on the OTCQB Market in the United States under the symbol OONEF.

**(1) Significant accounting policies:**

**(a) Statement of compliance and basis of presentation:**

These interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and on a basis consistent with the accounting policies disclosed in the Company’s annual audited consolidated financial statements for the year ended October 31, 2020. The accounting standards applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of the date the Board of Directors authorized the financial statements for issue.

The interim consolidated financial statements were authorized for issue by the Board of Directors on September 8, 2021.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 01 Communique (GP) Inc. Intercompany transactions and balances are eliminated on consolidation.

**01 Communique Laboratory Inc.**  
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Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are deconsolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

The consolidated financial statements have been prepared on the historical cost basis, except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the Significant accounting policies and measurement bases summarized below.

The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of operations and comprehensive loss are presented using the functional classification for expenses.

These consolidated financial statements have been prepared on a going concern basis, 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. The Company has sustained substantial losses and negative cash flows from operations in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing.

Should the Company not be able to generate sufficient cash flows to become profitable in the future and generate sufficient working capital to fund operations, it will become necessary to secure additional sources of financing. However, there can be no assurances that any such financing will be available to the Company on acceptable terms or at all. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

**01 Communique Laboratory Inc.**  
**Notes to the consolidated financial statements**  
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**Three and nine month periods ended July 31, 2021 and 2020**

**(2) Financial instruments and financial risk management:**

**(a) Financial instruments:**

The Company has classified its financial instruments as follows:

	31-July-21	31-Oct-20
Financial assets:		
Financial assets, measured at amortized cost:		
Cash and cash equivalents	\$ 1,161,785	\$ 962,337
Guaranteed investment certificate	-	60,000
Accounts receivable	231,469	202,974
Financial liabilities, recorded at amortized cost:		
Accounts payable and accrued liabilities	168,184	151,111
Loan payable	60,000	-

Accounts receivable are comprised of the following:

	31-July-21	31-Oct-20
Trade receivables	\$ 206,602	\$ 166,322
Investment tax credits receivable	-	17,500
Other	24,867	19,152
	\$ 231,469	\$ 202,974

**(b) Financial risk management:**

**(i) Overview:**

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

**(ii) Credit risk:**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

**01 Communique Laboratory Inc.**  
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The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At July 31, 2021 and October 31, 2020, the Company had a nil balance in the allowance for doubtful accounts and had no material past due trade receivables.

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Company invests its cash in cash equivalents with Canadian chartered banks that are of high credit quality. Given these high credit ratings, the Company does not expect any counterparties to these cash equivalents to fail to meet their obligations.

**(iii) Concentrations of credit risk:**

There was one company that comprised 98% (2020 – 97%) and 98% (2020 – 95%) of the Company's total revenue for the three and nine months ended July 31, 2021 respectively. No other customers exceeded 10% of revenue during the current or prior periods. The customer comprising 98% (2020 – 97%) of revenue represents 100% (2020 – 94%) of accounts receivable as at July 31, 2021.

**(iv) 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's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

However, the Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing, which would be contingent upon market and other conditions in the future, which are beyond the Company's control.

At July 31, 2021, the Company had other financial assets consisting of cash and cash equivalents, guaranteed investment certificate and accounts receivable of \$1,393,254 (October 31, 2020 - \$1,225,311) and other financial liabilities of \$228,184 (October 31, 2020 - \$151,111), consisting of accounts payable and accrued liabilities and a loan payable.

The Company manages its liquidity risk by continuously monitoring forecast and actual cash flows.

**(v) Market risk:**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and market price risk. The Company is exposed to currency risk and interest rate risk.

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Currency risk:

Net monetary liabilities due in U.S. dollars include accounts payable of \$24,100 (October 31, 2020 – \$15,148), cash of \$607,900 (October 31, 2020 - \$179,571) and accounts receivable of \$165,200 (October 31, 2020 - \$126,001).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and other jurisdictions, including Japan. Sales to Japanese customers are primarily denominated in U.S. dollars. Substantially all of the Company's sales are in U.S. dollars. As a result, the Company is subject to currency risk from sales made in U.S. dollars. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. and the Canadian dollar from the date of the sales transaction to the collection date due. As at July 31, 2021, the Company had net monetary assets in U.S. dollars of \$936,000 (October 31, 2020 - \$261,600). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at July 31, 2021 would have resulted in a gain in the amount of \$93,600 (October 31, 2020 - \$38,300) or a loss of \$93,600 (October 31, 2020 - \$38,300), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the nine month period ended July 31, 2021. The analysis used a modeling technique that compares the U.S. dollar equivalent of all revenue and expenses incurred in U.S. dollars, at the actual exchange rate, to a hypothetical 10% movement in the foreign currency exchanges rates against the Canadian dollar, with all other variables held constant. Foreign currency exchanges rates used were based on the market rates in effect during the nine month period ended July 31, 2021. The sensitivity analysis indicated that a hypothetical 10% movement in the foreign currency exchange rate from the Canadian dollar to the U.S. dollar would result in a decrease to the net loss for the nine month period ended July 31, 2021. A decrease or increase in the U.S. to Canadian dollar exchange rate by 10% during the nine month period ended July 31, 2021 would have resulted in a reduction of the net loss of \$60,000 (2020 – \$30,000) or an increase in the net loss of \$60,000 (2020 – \$30,000) respectively. There can be no assurances that the above projected exchange rate change will materialize.

Interest rate risk: The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits.

**(vi) Fair values of financial instruments:**

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets of liabilities.

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Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuations techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

There are no financial instruments that are measured at fair value on a regular basis.

**(4) Guaranteed Investment Certificate:**

One year cashable guaranteed investment certificate (“GIC”) bearing interest at the rate of 1.4% per annum which matured on February 12, 2021.

**(5) Capital risk management:**

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund operations and discharge liabilities as they become due. Management performs regular reviews of its forecasted cash flow requirements to ensure cash flow needs are addressed.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the nine month periods ended July 31, 2021 and July 31, 2020.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at July 31, 2021, the Company believes it is compliant with the policies of the TSXV.

**(6) Government Assistance:**

The Canada Emergency Business Account (“CEBA”) provides interest-free bank loans, guaranteed by the government of Canada, of up to \$60,000 to small businesses that qualify. The Company's loan payable consists of a \$60,000 CEBA loan that is interest free and repayable by December 31, 2022 with up to \$20,000 of the loan being forgiven conditional upon the Company repaying the full amount due of \$60,000 by maturity which is December 31, 2022.

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The Canada Emergency Wage Subsidy ("CEWS") government program provides a wage subsidy of 75% for qualifying businesses. The purpose of the wage subsidy is to allow employers to re-hire workers that were previously laid off, and to continue to employ those who are already on payroll. For the nine month period ended July 31, 2021, the Company has received approximately \$19,806 as a wage subsidy under this program. This has been recognized in the consolidated statements of operations as a reduction to the related expenses.

**(7) Share Capital:**

(a) Share capital authorized, issued and outstanding:

Authorized:

50,000 Series A preference shares  
 Unlimited preference shares, issuable in series  
 Unlimited common shares

Issued: 94,451,221 common shares

The following details the changes in issued and outstanding common shares for the nine month period ended July 31, 2021:

	Number		Amount
Balance, October 31, 2020	91,393,973	\$	43,395,752
Exercise of stock options	860,000		73,640
Exercise of warrants	2,197,248		494,189
Balance, July 31, 2021	94,451,221	\$	43,963,581

There were 860,000 stock options exercised pursuant to the Company's stock option plan at an average exercise price of \$0.05 for cash proceeds of \$43,500. In addition, the fair value of the stock options, as estimated on date of grant, was \$30,140 which has been reclassified from contributed surplus to share capital as a result of the exercise.

There were 2,197,248 warrants exercised at an average exercise price of \$0.15 for cash proceeds of \$321,587. In addition, the fair value of the warrants, as estimated on date of grant, was \$172,602 which has been reclassified from warrants to share capital as a result of the exercise.

(b) Employee stock option plan:

The Company maintains a share option plan (the "Plan") for the benefit of management, directors, officers, contractors and employees. The Plan is a "rolling" stock option plan, pursuant to which the maximum number of common shares that may be reserved for issuance under outstanding stock options will be 10% of the Company's issued and outstanding common shares, as constituted on the date of any grant of options under the Plan.

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Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined as the trading prices of the Company's common shares on the TSX-V on the day preceding the effective date of the grant. In general, options granted under the Plan vest over the period of up to a maximum of five years from the grant date and expire by no later than the fifth anniversary of the date of grant.

Changes in outstanding options were as follows:

	Number	Weighted average exercise price
Options outstanding, October 31, 2020	5,085,000	\$ 0.08
Granted	940,000	\$ 0.36
Exercised	(860,000)	\$ 0.05
Options outstanding, July 31, 2021	5,165,000	\$ 0.14

The following summarizes information with respect to the Company's stock option plan as at July 31, 2021:

Range of exercise prices	<u>Options Outstanding</u>		<u>Options Exercisable</u>		
	Number Outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted Average exercise price
\$0.05 to \$0.07	2,335,000	1.3	\$0.07	2,335,000	\$0.06
\$0.08 to \$0.10	1,790,000	2.0	\$0.10	1,790,000	\$0.10
\$0.38 to \$0.42	1,040,000	3.8	\$0.37	200,000	\$0.38
	5,165,000	2.0	\$0.14	4,025,000	\$0.09

There were 940,000 (2020 – 1,310,000) stock options granted during the nine months ended July 31, 2021. The average grant date fair value of options granted during 2021 was \$0.33 (2020 - \$0.09). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the nine month period ended July 31, 2021: expected dividend yield of nil (2020 – nil), expected volatility of 166% (2020 – 164%), weighted average risk-free interest rate of 1.5% (2020 – 1.5%) and expected lives of four years (2020 – four years). During the nine month period ended July 31, 2021, the Company recorded stock option expense for stock options granted in the current and previous periods of \$136,614 (2020 - \$96,750).

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Warrants:

The following table details the changes in share purchase warrants for the nine months ended July 31, 2021:

	Number	Amount	Weighted average exercise price
Balance, October 31, 2020	3,135,582	\$ 266,135	\$ 0.15
Exercise of debenture warrants	(400,000)	(10,850)	\$ 0.13
Exercise of warrants	(1,612,332)	(145,111)	\$ 0.15
Exercise of compensation warrants	(184,916)	(16,642)	\$ 0.15
Balance, July 31, 2021	938,334	\$ 93,532	\$ 0.15

The following table summarizes information about warrants outstanding at July 31, 2021:

	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
Warrants issued on settlement of debenture (note 7(c)(i))	0.35	100,000	1.40	0.35
Warrants issued on private placement (note 7(c)(ii))	0.15	791,667	1.05	0.15
Compensation warrants issued on private placement (note 7(c)(iii))	0.12	46,667	1.05	0.12
		938,334	0.42	\$ 0.15

- (i) Each warrant entitles the holder to acquire one common share for \$0.35 at any time prior to October 14, 2022.
- (ii) Each warrant entitles the holder to acquire one common share for \$0.15 at any time prior to May 29, 2022.
- (iii) Each warrant entitles the holder to acquire one common share for \$0.12 at any time prior to May 29, 2022.

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**(8) Loss per share:**

The computations for basic and diluted income (loss) per share are as follows:

	<i>three months ended</i>		<i>nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Loss for the period and comprehensive loss	\$ (228,762)	\$ (39,816)	\$ (406,278)	\$ (483,341)
Loss per common share (note 8)				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares				
Basic	93,278,000	80,985,653	92,246,000	80,243,450
Diluted	93,278,000	80,985,653	92,246,000	80,243,450

As the Company is in a loss position for the three and nine months ended July 31, 2021 and 2020, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

**(9) Related Party Transactions:**

The remuneration of directors and other key management personnel of the Company during the three and nine month periods ended July 31, 2021 and 2020 were as follows:

	<i>For the 3 months ending</i>		<i>For the 9 months ending</i>	
	<u>31-July-21</u>	<u>31-July-20</u>	<u>31-July-21</u>	<u>31-July-20</u>
Salaries and contractor fees	\$ 55,000	\$ 55,000	\$ 165,000	\$ 166,250
Stock based compensation	36,743	23,600	46,945	96,750
	<u>\$ 91,743</u>	<u>\$ 78,600</u>	<u>\$ 211,945</u>	<u>\$ 263,000</u>

The Company's President and CEO invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during the three and nine month periods ended July 31, 2021 were \$16,500 (2020 - \$16,500) and \$49,500 (2020 - \$48,250) respectively, and have been included in research and development expenses and are disclosed in the salaries amounts in the above table. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration

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established and agreed to by the related parties. The President and CEO's salary for the three and nine months ended July 31, 2021 was \$21,000 (2020 – 21,000) and \$63,000 (2020 - \$63,000) respectively.

**(10) Change in non-cash operating working capital:**

	<i>three months ended</i>		<i>nine months ended</i>	
	<i>31-Jul-21</i>	<i>31-Jul-20</i>	<i>31-Jul-21</i>	<i>31-Jul-20</i>
Change in non-cash working capital				
Accounts receivable	\$ 72,311	\$ (167,344)	\$ (28,495)	\$ (147,296)
Prepaid expenses and other assets	14,261	6,544	(2,891)	(5,848)
Accounts payable & accruals	10,701	(24,100)	17,073	(30,831)
Deferred revenue	(403)	(267)	986	635
	<u>\$ 96,870</u>	<u>\$ (185,167)</u>	<u>\$ (13,327)</u>	<u>\$ (183,340)</u>

**(11) Contractual Obligations and Contingencies:**

The Company is engaged in legal actions from time to time arising in the ordinary course of business. None of these actions, individually or in the aggregate, is expected to have a material adverse effect on the consolidated financial position or results of operations.

On October 7, 2020 the Company entered into a non-binding agreement for a drawdown equity facility with a private equity firm. The agreement provides for equity private placement offerings up to \$5,000,000 in units of the Company, with each unit consisting of one common share and one-half of one common share purchase warrant, to be conducted in drawdowns of up to \$250,000 per tranche over a period of 24 months with the timing of each tranche to be made by the Company at its sole discretion. The amount and terms of each tranche will be subject to the mutual agreement of the Company and the investor. As at July 31, 2021, no placements had been made.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's operations and ability to raise capital.

**(12) Lease commitment:**

The Company's head office, located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5, is leased and considered to be a right-of-use asset. On March 1, 2021 the lease was amended with the expiry date extended to March 31, 2024 with no renewal term. Lease payments (including the Company's share of property taxes, operating costs, utilities and extra services) during the three and nine month periods ended July 31, 2021 were \$12,105 (2020- \$11,844) and \$34,208 (2020 - \$34,914) respectively.

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The lease liability has been measured by discounting future lease payments at the incremental borrowing rate at March 1, 2021. The incremental borrowing rate applied was determined to be 5.0% per annum for the lease and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. As a result, the Company recorded an increase in capital assets, right of use asset, of \$134,634 and an increase in lease liability of \$134,634.

**(13) Segmented Information:**

Revenue attributable to geographical location based on the customer is as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
United States	\$ 3,814	\$ 4,451	\$ 8,826	\$ 11,891
Canada	1,415	1,704	6,989	7,207
Asia/Pacific	206,602	229,005	706,509	330,729
	<u>\$ 211,831</u>	<u>\$ 235,160</u>	<u>\$ 722,324</u>	<u>\$ 349,827</u>

Substantially all of the Company's identifiable assets as at July 31, 2021 and October 31, 2020 are located in Canada.

The significant categories of revenue recognized during the periods are as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Royalty and development fees	\$ 206,602	\$ 229,005	\$ 706,509	\$ 330,729
Subscription fees	5,229	6,155	15,815	19,098
	<u>\$ 211,831</u>	<u>\$ 235,160</u>	<u>\$ 722,324</u>	<u>\$ 349,827</u>

**(14) Operating expenses:**

The Company presents a functional consolidated statement of operations and comprehensive income in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling, general and administrative expenses; and research and development expenses. The following table presents the expenses based on their nature:

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<b>for the three months ended 31-Jul-21</b>	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 89,266	\$ 178,003	\$ 267,269
Stock-based compensation	70,850	-	70,850
Other operating expenses	47,793	31,763	79,555
	<u>\$ 207,909</u>	<u>\$ 209,766</u>	<u>\$ 417,674</u>

<b>for the three months ended 31-Jul-20</b>			
Salaries, contractors, commissions and benefits	\$ 45,131	\$ 95,740	\$ 140,871
Stock-based compensation	23,600	-	23,600
Other operating expenses	42,422	24,977	67,399
	<u>\$ 111,153</u>	<u>\$ 120,717</u>	<u>\$ 231,870</u>

<b>for the nine months ended 31-Jul-21</b>			
Salaries, contractors, commissions and benefits	\$ 239,452	\$ 404,791	\$ 644,243
Stock-based compensation	136,614	-	136,614
Other operating expenses	194,334	81,080	275,414
	<u>\$ 570,400</u>	<u>\$ 485,871</u>	<u>\$ 1,056,271</u>

<b>for the nine months ended 31-Jul-20</b>			
Salaries, contractors, commissions and benefits	\$ 147,052	\$ 264,093	\$ 411,145
Stock-based compensation	96,750	-	96,750
Other operating expenses	171,921	59,123	231,044
	<u>\$ 415,723</u>	<u>\$ 323,216</u>	<u>\$ 738,939</u>

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**(15) Property and Equipment:**

<b>As at July 31, 2021</b>	Computer systems	Communications equipment	Furniture and fixtures and leasehold improvements	Right of Use Asset	Total
<b>Cost</b>					
Balance at October 31, 2020	\$ 554,441	\$ 3,394	\$ 95,299	\$ 63,583	\$ 716,717
Additions	8,926	-	-	134,634	143,560
Dispositions	-	-	-	(63,583)	(63,583)
Balance at July 31, 2021	<u>\$ 563,367</u>	<u>\$ 3,394</u>	<u>\$ 95,299</u>	<u>\$ 134,634</u>	<u>\$ 796,694</u>
<b>Depreciation</b>					
Balance at October 31, 2020	\$ 542,678	\$ 537	\$ 94,005	\$ 44,244	\$ 681,464
Additions	5,261	170	-	34,298	39,729
Dispositions	-	-	-	(63,583)	(63,583)
Balance at July 31, 2021	<u>\$ 547,939</u>	<u>\$ 707</u>	<u>\$ 94,005</u>	<u>\$ 14,959</u>	<u>\$ 657,610</u>
<b>Carry amounts</b>					
Balance at July 31, 2021	\$ 15,428	\$ 2,687	\$ 1,294	\$ 119,675	\$ 139,084
Balance at October 31, 2020	\$ 11,763	\$ 2,857	\$ 1,294	\$ 19,339	\$ 35,253

# 01 COMMUNIQUE LABORATORY INC.

## CORPORATE INFORMATION

### **DIRECTORS**

Andrew Cheung  
President & CEO

William A. Train  
Chairman  
Private investor

Gary Kissack  
Lawyer, Fogler, Rubinoff LLP

Jane Yang  
Director

### **OFFICERS**

Andrew Cheung  
President & CEO

Brian Stringer  
Chief Financial Officer

Gigi Loo  
Controller & Corporate Secretary

### **INVESTOR RELATIONS**

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### **CORPORATE HEADQUARTERS**

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Trading Symbols:  
In Canada TSX-V: ONE  
In U.S. OTCQB: OONEF