



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102 “Continuous Disclosure Obligations”, 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 interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor, Crowe MacKay LLP, has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

August 26, 2019

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - in Canadian dollars)

		June 30, 2019	September 30, 2018
	Notes	\$	\$
Assets			
Current			
Cash and cash equivalents		1,566,404	4,500,759
Amounts receivable		1,680,940	2,224,721
Holdbacks receivable		45,561	45,561
Income taxes recoverable		-	165,010
Prepaid expenses and deposits		255,446	87,059
Contract assets	4	1,839,745	1,916,631
Inventory	5	676,050	691,503
		<u>6,064,146</u>	<u>9,631,244</u>
Long-Term			
Property, plant and equipment	6	5,167,981	5,790,885
Total Assets		<u>11,232,127</u>	<u>15,422,129</u>
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		1,097,823	2,452,638
Current portion of long-term debt	7	96,299	148,538
Current portion of obligations under finance lease	8	268,272	306,565
Contract liabilities		-	31,696
		<u>1,462,394</u>	<u>2,939,437</u>
Long-Term Liabilities			
Long-term debt	7	88,577	152,385
Obligations under finance lease	8	112,759	303,851
Total Liabilities		<u>1,663,730</u>	<u>3,395,673</u>
Shareholders' Equity			
Share capital	10	27,570,246	27,570,246
Reserves	10	4,838,211	4,452,451
Accumulated other comprehensive gain (loss)		(132,056)	108,990
Deficit		<u>(22,708,004)</u>	<u>(20,105,231)</u>
Total Shareholders' Equity		<u>9,568,397</u>	<u>12,026,456</u>
Total Liabilities and Shareholders' Equity		<u>11,232,127</u>	<u>15,422,129</u>

Approved by the Board of Directors:

"Greg Smith"

Greg Smith, Director

"David Toyoda"

David Toyoda, Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

	Notes	Three Months Ended June 30, 2019 \$	Three Months Ended June 30, 2018 \$	Nine Months Ended June 30, 2019 \$	Nine Months Ended June 30, 2018 \$
Revenue		1,377,726	1,088,633	11,008,292	5,232,478
Cost of Sales					
Purchases		587,735	789,756	4,006,979	1,793,693
Direct wages		849,503	2,010,150	3,436,589	5,208,136
Vehicle and travel		119,676	216,507	421,803	447,313
Amortization	6	166,321	128,124	447,417	369,112
Freight		25,590	6,021	53,907	25,510
Rentals		45,539	21,723	312,524	66,844
		<u>1,794,364</u>	<u>3,172,281</u>	<u>8,679,219</u>	<u>7,910,608</u>
Gross Margin		<u>(416,638)</u>	<u>(2,083,648)</u>	<u>2,329,073</u>	<u>(2,678,130)</u>
Operating Expenses					
Advertising and promotions		3,273	5,318	7,107	41,248
Amortization	6	132,212	90,783	287,235	228,320
Insurance		37,479	6,640	100,916	147,858
Listing and filing fees		2,026	1,586	14,689	13,829
Office and supplies		83,086	255,160	289,107	592,728
Professional fees		47,821	63,037	145,756	281,966
Rental		85,859	252,127	253,110	427,617
Repairs and maintenance		31,325	53,360	108,542	149,258
Share-based payments	10, 11	76,325	270,080	385,760	1,017,791
Amounts receivable impairment (recovery)		(109,806)	-	(178,578)	215,799
Training		7,059	13,913	12,444	34,963
Travel and trade shows		148,568	302,314	540,546	518,709
Wages and consulting	12	1,003,135	604,218	2,974,973	1,652,937
		<u>1,548,362</u>	<u>1,918,536</u>	<u>4,941,607</u>	<u>5,323,023</u>
(Loss) from Operations		<u>(1,965,000)</u>	<u>(4,002,184)</u>	<u>(2,612,534)</u>	<u>(8,001,153)</u>
Other Income (Expenses)					
Interest income		10,891	25,265	26,549	62,166
Interest expense		(6,014)	(4,708)	(27,105)	(37,196)
Gain (loss) on disposal of property, plant		-	-	160	500
Foreign exchange gain (loss)		5,692	(180,570)	10,157	265,675
		<u>10,569</u>	<u>(160,013)</u>	<u>9,761</u>	<u>291,145</u>
(Loss) before Income Tax		<u>(1,954,431)</u>	<u>(4,162,197)</u>	<u>(2,602,773)</u>	<u>(7,710,008)</u>
Current income tax recovery		-	-	-	263,140
Deferred income tax recovery		-	(1,650)	-	18,523
Net (Loss)		<u>(1,954,431)</u>	<u>(4,163,847)</u>	<u>(2,602,773)</u>	<u>(7,428,345)</u>
Gain (loss) on translation to presentation currency		(280,933)	(443,988)	(241,046)	(127,028)
Comprehensive (Loss)		<u>(2,235,364)</u>	<u>(4,607,835)</u>	<u>(2,843,819)</u>	<u>(7,555,373)</u>
(Loss) per Common Share		(0.04)	(0.11)	(0.06)	(0.17)
Weighted Average Number of Shares Outstanding		43,569,832	43,569,832	43,569,832	43,410,813

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three and Nine Months Ended June 30, 2019 and 2018
(Unaudited - in Canadian dollars)

	Number of shares	Share capital \$	Option reserve \$	Warrant reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at September 30, 2018	43,569,832	27,570,246	3,219,847	1,232,604	108,990	(20,105,231)	12,026,456
Share-based payments	-	-	385,760	-	-	-	385,760
Income (loss) for the year	-	-	-	-	-	(2,602,773)	(2,602,773)
Gain on translation to presentation currency	-	-	-	-	(241,046)	-	(241,046)
Balance at June 30, 2019	43,569,832	27,570,246	3,605,607	1,232,604	(132,056)	(22,708,004)	9,568,397
Balance at September 30, 2017	43,374,832	27,410,422	2,291,509	1,232,604	(13,874)	(9,725,355)	21,195,306
Exercise of stock options	195,000	91,750	-	-	-	-	91,750
Share-based payments	-	-	1,017,791	-	-	-	1,017,791
Income (loss) for the period	-	-	-	-	-	(7,428,345)	(7,428,345)
Gain on translation to presentation currency	-	-	-	-	(127,028)	-	(127,028)
Balance at June 30, 2018	43,569,832	27,502,172	3,309,300	1,232,604	(140,902)	(17,153,700)	14,749,475

Accumulated other comprehensive income arises from the translation of Lite Access Technologies (UK) Limited's operations from its functional to presentation currency.

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows
For the Three and Nine Months Ended June 30, 2019 and 2018
(Unaudited - in Canadian dollars)

		Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	Notes	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Net Income (loss) for the period		(1,954,431)	(4,163,847)	(2,602,773)	(7,428,345)
Items not effecting cash			-		
Foreign exchange (gain) loss		379,342	(263,418)	374,877	(392,703)
Share-based payments	11	76,325	270,080	385,760	1,017,791
Amortization	6	298,533	218,907	734,652	597,432
Amounts receivable impairment (recovery)		(109,806)	-	(178,578)	215,799
Disposal of property, plant and equipment		-	-	(160)	(500)
Deferred income tax expense (recovery)		-	1,650	-	(18,523)
Changes in non-cash working capital balances					
Amounts receivable		1,053,207	(944,919)	722,359	(186,383)
Holdbacks receivable		-	-	-	75,486
Prepaid expenses and deposits		(92,772)	30,215	(168,387)	(32,450)
Contract assets		644,884	89,570	76,886	948,181
Inventory		74,659	(122,334)	15,453	(67,672)
Income taxes recoverable/payable		165,010	-	165,010	260,459
Accounts payable and accrued liabilities		(262,514)	580,853	(1,354,815)	676,715
Contract liabilities		-	-	(31,696)	(31,729)
Total Cash Flows from Operating Activities		272,440	(4,303,243)	(1,861,412)	(4,366,442)
Cash Flows from Investing Activities					
Purchase of property, plant and equipment	6	(235,989)	(204,496)	(496,622)	(1,719,049)
Total Cash Flows from Investing Activities		(235,989)	(204,496)	(496,622)	(1,719,049)
Cash Flows from Financing Activities					
Long-term debt repayments		(37,405)	(35,372)	(116,047)	(107,167)
Proceeds from long-term debt	7	-	(2,266)	-	70,278
Obligations under finance lease repayments	8	(93,619)	(73,246)	(229,385)	(143,382)
Exercise of stock options	11	-	37,500	-	91,750
Total Cash Flows from Financing Activities		(131,024)	(73,384)	(345,432)	(88,521)
Foreign Exchange on Cash and Cash Equivalents		(275,243)	(180,570)	(230,889)	265,675
Change in Cash and Cash Equivalents		(369,817)	(4,761,692)	(2,934,355)	(5,908,338)
Cash and Cash Equivalents, Beginning of Period		1,936,220	13,191,442	4,500,759	14,338,088
Cash and Cash Equivalents, End of Period		1,566,404	8,429,750	1,566,404	8,429,750

The accompanying notes form an integral part of these consolidated interim financial statements.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

1. NATURE OF OPERATIONS

Lite Access Technologies Inc. (“Lite Access” or the “Company”) is an international distributor and installer of fibre optic technology, specializing in microducts and air-blown fibre. Lite Access is a public company listed as a Tier 1 Industrial Issuer on the TSX Venture Exchange (“TSX-V”) under the stock symbol “LTE”.

Lite Access was incorporated on October 20, 2003, under the Business Corporations Act (British Columbia). The head office is located at #5 – 20678 Duncan Way, Langley, British Columbia, Canada, V3A 7A3, and its registered and records office is located at 704 – 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. In preparation of these unaudited condensed interim consolidated financial statements, the Company has consistently applied the same accounting policies disclosed in the Company’s audited annual consolidated financial statements for the year ended September 30, 2018.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 26, 2019.

Basis of Presentation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited condensed interim consolidated financial statements include in general only significant changes and transactions occurring since September 30, 2018. As such, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended September 30, 2018.

New Accounting Standards and Amendments Adopted

The Company has adopted the following new accounting amendments effective October 1, 2018. These changes did not have a material impact on the Company’s financial results:

- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- Amendment to IAS 28, Investments in Associated and Joint Ventures

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

Adoption of IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 *Revenue from Contracts with Customers* on October 1, 2018, using the retrospective method as permitted by IFRS 15. The adoption of this standard did not result in any change in the recognition of revenues for prior periods and therefore no comparative amounts were restated.

IFRS 15 introduced a single comprehensive model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. IFRS 15 introduced a five-step approach to revenue recognition:

1. Identify the contracts with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognize revenue when the entity satisfies a performance obligation.

The Company recognizes revenue when the Company satisfies the performance obligations by transferring the control of the products or services to the customer. A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. Most of the Company's contracts have a single performance obligation as the promise to transfer the individual good and service is not separately identifiable from other promises in the contract and, therefore not distinct.

Product sales are recognized at a point in time when the products are shipped or delivered to the customer. Installation revenues are recognized over the duration of the contract, using the input method, as the performance obligations are fulfilled in line with the contract term.

The Company derives installation revenue mainly from two types of contracts: cost-plus and fixed price. Revenues from cost-plus contracts are recognized when cost incurred and are calculated based on the billing rates for the services performed. Revenues from fixed-price contracts are recognized based on a percentage-of-completion method by comparing the costs incurred to the total costs anticipated.

Revenues from contract modifications, commonly referred as change orders, are recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably. The modifications may result in an increase or decrease in estimated revenues or remaining costs to complete and are reflected in profit or loss in the period in which the circumstances that gave rise to the revision became known to the Company.

If the Company has recognized revenues but not issued an invoice, the entitlement consideration is recognized as contract assets in the financial statements. The contract assets are transferred to accounts receivables when the invoice is issued indicating the entitlement to payment is unconditional. If payments are received, or invoices are issued to a customer, prior to the performance obligation is satisfied, the Company recognizes contract liabilities in the financial statements. All contract assets and liabilities are classified as current in the financial statements as they are expected to be settled within the Company's normal operating cycle.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

Adoption of IFRS 9 Financial Instruments

The Company adopted IFRS 9 *Financial Instruments* on October 1, 2018. The restatement of prior periods is not required. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The financial assets are subsequently measured at amortized cost, fair value through profit and loss or fair value through other comprehensive income. The table below summarized the classification and measurement of the Company's financial instruments accounted under IFRS 9 as compared to the previous policies in accordance with IAS 39.

	<u>IAS 39</u>	<u>IFRS 9</u>
Financial assets		
Cash and cash equivalents	FVTPL	Amortized cost
Accounts receivables	Amortized cost	Amortized cost
Other Receivables	Amortized cost	Amortized cost
Contract assets	Amortized cost	Amortized cost
Financial assets available for sale	FVOCI	FVTPL
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Contract liabilities	Amortized cost	Amortized cost
Current portion of long-term debt and finance lease	Amortized cost	Amortized cost
Long-term debt and finance lease	Amortized cost	Amortized cost

IFRS 9 also introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The Company elected to use the simplified approach to measuring expected credit loss for all accounts receivables and contract assets. The contract assets have substantially all the same risk characteristics as the accounts receivables for the same type of contracts. The adoption of expected credit loss impairment model did not have a material impact on the Company's financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the current financial period are discussed below:

Estimates and Judgments

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future within one year from the date the consolidated financial statements are issued.

Inventory Valuation

Under IFRS, inventories must be recognized at the lower of cost or their Net Realizable Value (“NRV”), which is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. IFRS requires that the estimated NRV be based on the most reliable evidence available at the time the estimates are made of the amounts that inventories are expected to realize.

The measurement of an inventory write-down to NRV is based on the best estimate of the NRV and the expected future sale or consumption of our inventories.

Amounts Receivable and Holdbacks Receivable

Amounts receivable are recorded at the invoiced amount and generally do not bear interest. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of amounts receivable, the relationship of the allowance for doubtful accounts to amounts receivable and current economic conditions. The determination of the collectability of amounts due from customer accounts requires the Company to make judgments regarding future events and trends. Allowances for doubtful accounts are determined based on assessing the Company’s portfolio on an individual customer and on an overall basis. This process consists of a review of historical collection experience, current aging status of the customer accounts, and the financial condition of the Company’s customers. Based on a review of these factors, the Company establishes or adjusts the allowance for specific customers and the accounts receivable portfolio as a whole.

Holdback receivables represent amounts retained by the customer on projects as per the contracts and are released upon completion of the project in its entirety. As at June 30, 2019, an allowance was not considered necessary as they were deemed collectible.

Revenues Recognized Based on Percentage of Completion

Installation revenues are based on the percentage of completion for individual contracts. This requires management to make estimates of the individual contracts, estimated total costs, estimated total contract profit, and the percentage of the work that is completed based on costs incurred to the reporting date. Based on these estimates, the Company determines the amount to be recorded as unbilled revenue and deferred revenue.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

Property, Plant and Equipment Impairment and Amortization

At the end of each reporting period, the Company's property, plant and equipment ("PPE") is reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Amortization is a systematic allocation of the depreciable amount of an asset over its useful life. The Company estimates the useful life of PPE based upon the period over which the asset is expected to be available for use by the Company.

4. REVENUE

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers by contract type, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following is a summary of total revenue by contract type for the three and nine months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
	\$	\$	\$	\$
Product sales	33,831	77,813	1,799,649	552,869
Installation service - fixed price	1,228,924	843,243	8,736,303	3,638,808
Installation service - cost plus	114,971	167,577	472,340	1,040,801
	1,377,726	1,088,633	11,008,292	5,232,478

Remaining performance obligations

The Company elected to utilize the practical expedient not to disclose the remaining performance obligations as all the contracts awarded with the customers are expected to complete less than one year.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

Contract assets and liabilities

The following is a summary of changes in contract assets and liabilities:

	June 30, 2019		September 30, 2018	
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
	\$	\$	\$	\$
Balance, beginning of the period	1,916,631	(31,696)	1,691,316	(31,729)
Revenue recognized that were included in the contract liabilities at the beginning of the period		31,696		31,729
Transfer from contract assets at the beginning of the period to accounts receivable	(1,387,332)	-	(1,688,877)	-
Customer advance or invoice prior to delivering goods or services during the period	-	-	-	31,696
Revenue recongized but not invoiced during the period	1,310,446	-	1,914,192	-
Balance, end of period	1,839,745	-	1,916,631	31,696

5. INVENTORY

	June 30, 2019	September 30, 2018
	\$	\$
Opening inventory	691,503	766,614
Purchases	1,924,100	3,411,242
Cost of goods sold	(1,939,553)	(3,486,353)
Closing inventory	676,050	691,503

Inventory is comprised of goods held for sale and work in process. No impairment has been identified.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures \$	Computer equipment \$	Equipment \$	Automotive equipment \$	Leasehold improvement \$	Total \$
Cost						
At September 30, 2018	22,748	50,512	4,908,918	2,050,123	12,722	7,045,023
Additions	-	7,239	432,696	56,848	-	496,783
Effects of foreign exchange on translation to presentation currency		(153)	(54,924)	(14,955)	-	(70,032)
At June 30, 2019	22,748	57,598	5,286,690	2,092,016	12,722	7,471,774
Accumulated amortization						
At September 30, 2018	14,383	17,185	616,990	599,219	6,361	1,254,138
Amortization	3,403	12,145	400,328	315,604	3,172	734,652
Effects of foreign exchange on translation to presentation currency	-	(210)	192,323	122,890	-	315,003
At June 30, 2019	17,786	29,120	1,209,641	1,037,713	9,533	2,303,793
Net book value, June 30, 2019	4,962	28,478	4,077,049	1,054,303	3,189	5,167,981
Net book value, September 30, 2018	8,365	33,327	4,291,928	1,450,904	6,361	5,790,885

7. LONG-TERM DEBT

	June 30, 2019 \$	September 30, 2018 \$
Long-term debt	184,876	300,923
Less current portion	(96,299)	(148,538)
	88,577	152,385

The total net book value of the equipment and automotive equipment secured by the above debt is approximately \$303,741 (September 30, 2018: \$404,721).

8. OBLIGATIONS UNDER FINANCE LEASE

The lease provides the Company with the option to purchase the equipment at a beneficial price.

	June 30, 2019 \$	September 30, 2018 \$
Obligation under finance lease	381,031	610,416
Less current portion	(268,272)	(306,565)
	112,759	303,851

9. COMMITMENTS

The Company has six long-term leases with respect to its premises for operations and inventory storage as well as one long-term lease with respect to automotive equipment.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018
(in Canadian dollars)

Future minimum lease payments are as follows:

	June 30, 2019	September 30, 2018
	\$	\$
2019	120,676	453,405
2020	271,981	268,673
2021	65,182	52,285
2022 onwards	7,162	15,857
	465,001	790,220

10. SHARE CAPITAL

The Company is authorized to issue unlimited common shares without par value and unlimited preferred shares without par value.

As at June 30, 2019, the Company had 43,569,832 common shares (September 30, 2018: 43,569,832) issued and outstanding.

The holders of common shares are entitled to one vote per share at meetings of the Company.

During the nine months ended June 30, 2019, no stock options were exercised (nine months ended June 30, 2018: 195,000 options were exercised for proceeds of \$91,750).

Warrants

No warrant activity incurred from October 1, 2018 to June 30, 2019 and the comparative period of last year. A total of 545,400 was expired as at June 30, 2019 as follows:

Grant date	Expiry date	Exercise price (\$)	Opening balance	Granted	Exercised	Expired	Closing balance
2017-03-28	2019-03-28	2.25	545,400	-	-	(545,400)	-
Weighted average exercise price			\$2.25	-	-	-	-

11. SHARE-BASED PAYMENTS

The Company has an Incentive Stock Option Plan (“the Plan”) under which non-transferable options to purchase common shares of the Company may be granted to Directors, officers, employees or consultants of the Company.

The Company has adopted a rolling 10% stock option plan (the “Stock Option Plan”). The exercise price of option grants will be determined by the Board of Directors and will not be less than the closing market price of the Common Shares on the stock exchange less allowable discounts at the time of grant. All options granted under the Stock Option Plan will expire no later than the date that is ten years from the date that such options are granted.

During the nine months ended June 30, 2019, the Company recognized a share-based compensation expense of \$385,760 (Nine months ended June 30, 2018: \$1,017,791) on the grant and vesting of stock options. The Company used the Black-Scholes option pricing model with the following weighted average assumptions:

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		June 30, 2019		September 30, 2018
Share price on date of grant	\$	0.44	\$	2.88
Exercise price	\$	0.81	\$	3.07
Expected life in years		4.42		4.34
Annualized volatility - Based on historical share price of similar companies		100%		100%
Expected dividends		0%		0%
Risk-free interest rate		1.86%		1.04%
Grant date fair value	\$	0.29	\$	1.99

The following is a summary of changes in options from October 1, 2018 to June 30, 2019:

Grant date	Expiry date	Exercise price (\$)	Opening balance	Granted	Exercised	Cancelled or Forfeited	Closing balance	Vested and exercisable	Unvested
2015-06-01	2020-06-01	0.25	1,175,000	-	-	-	1,175,000	1,175,000	-
2015-08-17	2020-08-17	1.25	30,000	-	-	-	30,000	30,000	-
2016-02-05	2019-02-05	1.17	40,000	-	-	(40,000)	-	-	-
2016-08-17	2021-08-17	1.17	25,000	-	-	-	25,000	25,000	-
2017-02-24	2020-02-24	2.00	20,000	-	-	-	20,000	20,000	-
2017-02-24	2020-02-24	1.15	20,000	-	-	-	20,000	20,000	-
2017-03-31	2020-03-31	3.72	5,000	-	-	-	5,000	5,000	-
2017-03-31	2020-03-31	1.15	123,000	-	-	(67,000)	56,000	56,000	-
2017-03-31	2020-03-31	1.15	72,000	-	-	-	72,000	48,000	24,000
2017-03-31	2022-03-31	3.72	160,000	-	-	-	160,000	160,000	-
2017-06-17	2022-06-17	2.50	450,000	-	-	-	450,000	225,000	225,000
2018-01-23	2021-01-23	1.06	30,000	-	-	-	30,000	15,000	15,000
2018-03-01	2021-03-01	1.15	500,000	-	-	-	500,000	325,000	175,000
2018-03-13	2021-03-13	1.15	175,000	-	-	-	175,000	175,000	-
2018-05-07	2023-05-07	1.15	100,000	-	-	-	100,000	66,667	33,333
2018-07-05	2023-07-05	1.15	90,000	-	-	(75,000)	15,000	-	15,000
2018-10-17	2023-10-17	1.15	-	127,000	-	-	127,000	-	127,000
2019-04-26	2024-04-26	0.65	-	300,000	-	-	300,000	-	300,000
2019-04-26	2024-04-26	1.15	-	10,000	-	-	10,000	-	10,000
			3,015,000	437,000	-	(182,000)	3,270,000	2,345,667	924,333
Weighted average exercise price			\$1.15	\$0.81	\$0.00	\$1.15	\$1.10	\$1.02	\$1.31

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The following is a summary of changes in options from October 1, 2017 to June 30, 2018:

Grant date	Expiry date	Exercise price (\$)	Opening balance	Granted	Exercised	Cancelled	Closing balance	Vested and exercisable	Unvested
2015-06-01	2020-05-31	0.25	1,325,000	-	(150,000)	-	1,175,000	1,175,000	-
2015-06-23	2017-06-22	1.28	-	-	-	-	-	-	-
2015-08-17	2020-08-17	1.25	50,000	-	(20,000)	-	30,000	30,000	-
2016-02-05	2019-02-05	1.17	68,291	-	-	(18,291)	50,000	50,000	-
2016-02-05	2021-02-05	1.17	400,000	-	-	(10,000)	390,000	390,000	-
2016-03-29	2021-03-29	1.42	200,000	-	-	(20,000)	180,000	180,000	-
2016-06-29	2021-06-29	1.61	55,000	-	-	(55,000)	-	-	-
2016-08-17	2021-08-17	1.17	50,000	-	(25,000)	(25,000)	-	-	-
2017-02-24	2020-02-24	2.00	100,000	-	-	(20,000)	80,000	-	80,000
2017-03-31	2020-03-31	3.72	201,000	-	-	(85,000)	116,000	58,000	58,000
2017-03-31	2021-03-31	3.72	125,000	-	-	-	125,000	41,667	83,333
2017-03-31	2022-03-31	3.72	320,000	-	-	(80,000)	240,000	240,000	-
2017-06-17	2022-06-17	2.50	450,000	-	-	-	450,000	225,000	225,000
2017-09-01	2020-09-01	1.83	20,000	-	-	(20,000)	-	-	-
2017-09-07	2020-09-07	1.82	25,000	-	-	(25,000)	-	-	-
2018-01-23	2021-01-23	1.06	-	50,000	-	(20,000)	30,000	-	30,000
2018-03-01	2021-03-01	1.15	-	500,000	-	-	500,000	166,667	333,333
2018-03-13	2018-03-31	1.15	-	175,000	-	-	175,000	58,333	116,667
2018-05-07	2023-05-07	1.15	-	100,000	-	-	100,000	-	100,000
			3,389,291	825,000	(195,000)	(378,291)	3,641,000	2,614,667	1,026,333
Weighted average exercise price			\$1.53	-	\$0.47		\$1.37	\$1.00	\$1.75

12. RELATED PARTY TRANSACTIONS

During the three and nine months ended June 30, 2019, the Company entered into related party transactions or held balances with the following individuals and corporations:

Carlo Shmoon	CEO and Director
Jacob Gabriel Design and Consulting Inc.	Company controlled by Carlo Shmoon, CEO and Director
Arun Gupta	Former CFO
Michael Plotnikoff	Co-Founder, former CEO and Director
Michael Priest	Co-Founder, former Chief Commercial Officer and Director
David Toyoda	Director
Greg Smith	Director
Kevin Smith	Director
Steven King	Director
SACA Future Limited	Company controlled by Steven King, Director
Peter Caplan	Former Director

The following is a summary of the Company's related party transactions during the period that are not disclosed elsewhere in these unaudited condensed interim consolidated financial statements. All related party transactions are recorded at the exchange amounts.

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Key Management Compensation

	Nine months ended June 30, 2019	Nine months ended June 30, 2018
	\$	\$
Short-term employee benefits and director fees (in wages and consulting)	797,420	794,755
Share-based payments	242,626	729,682
Total	1,040,046	1,524,437

13. SEGMENTED INFORMATION

The Company's principal business locations and operations are in British Columbia, Canada and West Oxfordshire, UK. The Company has two reporting segments: sale of micro duct and fiber optic installations, based on the type of products sold and services provided. The Company reports activities not directly attributable to an operating segment under Corporate.

As at June 30, 2019	Product	Fibre optic installation	Corporate	Total
Total assets	76,304	10,368,030	787,793	11,232,127
Total liabilities	232,343	1,431,387	-	1,663,730
As at September 30, 2018	Product	Fibre optic installation	Corporate	Total
Total assets	1,015,999	11,151,308	3,254,822	15,422,129
Total liabilities	399,303	2,996,370	-	3,395,673
For the nine months ended June 30, 2019	Product	Fibre optic installation	Corporate	Total
Revenue	1,799,649	9,208,643	-	11,008,292
Net income (loss)	359,500	(1,387,082)	(1,575,191)	(2,602,773)
For the nine months ended June 30, 2018	Product	Fibre optic installation	Corporate	Total
Revenue	552,869	4,679,609	-	5,232,478
Net income (loss)	225,936	(2,904,065)	(4,750,216)	(7,428,345)

During the nine months ended June 30, 2019, two major customers accounted for approximately 60% of revenues. The revenues from these customers were generated 100% from fiber optic installations. During the comparative period of last year, one customer accounted for approximately 57% of revenues, which were generated 100% from fibre optic installations.

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The Company's revenues are allocated to geographic segments as follows:

	Nine months ended June 30, 2019 \$	Nine months ended June 30, 2018 \$
Canada	4,780,720	1,475,360
United States	1,406,923	164,675
Other	27,324	230,229
United Kingdom	4,793,325	3,380,816
	11,008,292	5,232,478

The Company's property, plant and equipment is allocated to geographic segments as follows:

	June 30, 2019 \$	September 30, 2018 \$
Canada	1,506,848	1,643,041
United Kingdom	3,661,133	4,147,844
	5,167,981	5,790,885

14. FINANCIAL INSTRUMENTS

The Company's financial instruments include: cash and cash equivalents, amounts receivable, holdbacks receivable, accounts payable and accrued liabilities, due to related parties, and long-term debt. The carrying value of the financial instruments approximates their fair values.

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, and market risk.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure on outstanding receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company seeks to limit its exposure to this risk by holding its cash and cash equivalents in large Canadian financial institutions. A total of \$1,680,940 accounts receivable was reported as at June 30, 2019 and the amount of \$966,589 was due from two large customers. Credit risk on the receivables is considered low, as the majority of these receivables are due from customers that have no history of collection issues. Management believes the risk of loss is negligible given a positive, consistent collection history with its customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has implemented a budgeting process which is reviewed regularly to help determine the cash requirements to sustain operations. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for the foreseeable future. As at June 30, 2019, the Company had working capital of \$4,601,752 (September 30, 2018: \$6,691,807). To mitigate liquidity risk, the Company will look to maintain a positive working capital, generate positive cash flow from sales and services, raise capital through equity financing, and maintain an accessible line of credit.

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Due to the Company's current cash reserves, the Company believes that its liquidity risk is low. The Company currently monitors its exposure to liquidity risk by analyzing liability amounts due within the current year and those due in more than one year:

Due within one year	\$1,462,000
Due in more than one year	\$ 201,000

Market Risk

Market risk is the risk that changes in matrices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

The Company purchases and sells inventory primarily in US dollars. For the nine months ended June 30, 2019, for every 10% fluctuation in the exchange rates between the UK pound and US dollar, and the Canadian dollar, the Company's income (loss) would have been approximately \$115,850 higher or lower.

The Company had the following financial instruments in US dollars, converted to Canadian dollars:

	June 30, 2019	September 30, 2018
	\$	\$
Cash and cash equivalents	161,147	257,169
Accounts receivables	141,374	100,653
Accounts payable and accrued liabilities	(224,060)	(82,009)

The Company had the following financial instruments in UK pounds, converted to Canadian dollars:

	June 30, 2019	September 30, 2018
	\$	\$
Cash and cash equivalents	84,468	362,790
Accounts receivables	815,576	1,412,857
Accounts payable and accrued liabilities	(264,926)	(1,969,883)

(b) 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 has a line of credit with a high credit quality financial institution. Interest rate risk does not have a significant impact on the Company because its loans are at fixed interest rates.

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15. CAPITAL MANAGEMENT

The Company considers its cash and cash equivalents and shareholders' equity as capital. There are no external restrictions on the Company's capital, and there have been no changes in this regard during the nine months ended June 30, 2019 and 2018. The Company's principal source of funds for its operations is from sales and services, as well as the issuance of common shares and entering into debt facilities. The issuance of common shares requires the approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to operate for the benefit of its stakeholders. The Company intends to generate funds adequate to meet its liquidity needs for the next twelve months.

The Company uses stock options primarily to retain and provide future incentives to key employees and members of the management team. The Board of Directors determine the granting of stock options.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
	\$	\$	\$	\$
Supplemental cash flow information				
Interest paid	(6,014)	(4,708)	(27,105)	(37,196)
Interest received	1,127	25,265	16,785	62,166
Non-cash investing and financing activities				
Fair value of options exercised	-	-	-	54,250
Cash and cash equivalents				
Cash	816,404	2,988,461	816,404	2,988,461
GIC	750,000	5,441,289	750,000	5,441,289