Financial Statements of

# LABRADOR TECHNOLOGIES INC.

Years ended October 31, 2020 and 2019

# Independent Auditor's Report

To the Shareholders of Labrador Technologies Inc.:

## Opinion

We have audited the financial statements of Labrador Technologies Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2020 and October 31, 2019, and the statements of operations and comprehensive income, changes in shareholders' deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and October 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Company had negative cash flows from operations during the year ended October 31, 2020 and, as of that date, has negative working capital. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

MNP LLP

Calgary, Alberta
February 26, 2021

Chartered Professional Accountants

MNP

# LABRADOR TECHNOLOGIES INC.
## Statements of financial position

| As at | October 31, 2020 | October 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash | **$ 22,536** | $ 5,234 |
| Accounts Receivable | **-** | 242 |
| Prepaid Expenses | **-** | 3,153 |
| **Total Assets** | **$ 22,536** | $ 8,629 |
| **Liabilities and Shareholders' Deficit** | | |
| Current liabilities | | |
| Trade Payables and Accrued Liabilities (note 6) | **$ 221,403** | $ 450,308 |
| Related Party Loans Payable (note 7) | **60,394** | 27,217 |
| Convertible Debenture (note 7) | **143,069** | - |
| **Total Liabilities** | **424,866** | **$** 477,525 |
| **Shareholders' Deficit** | | |
| Common Shares (Note 8(a)(b)) | **$ 11,696,655** | $ 11,670,474 |
| Warrants (note 8(d)) | **33,519** | 46,677 |
| Contributed Surplus | **3,747,355** | 3,720,944 |
| Deficit | **(15,879,859)** | (15,906,991) |
| **Total Shareholder's Deficit** | **(402,330)** | (468,896) |
| **Total Liabilities and Shareholders' Deficit** | **$ 22,536** | $ 8,629 |

Going concern (note 3)
Subsequent event (note 12)

See accompanying notes to the financial statements

Approved by the Board of Directors

| | |
|---|---|
| **“ Signed ”** | **“ Signed ”** |
| George Wilson | Jeffrey Howe |
| Director | Director |

# LABRADOR TECHNOLOGIES INC.
## Statements of operations and comprehensive income

| | Years ended October 31, 2020 | October 31, 2019 |
|---|---|---|
| | **$** | **$** |
| **Revenue** | | |
| License Fees | **-** | 1,190 |
| **Expenses** | | |
| General & Administrative | **195,594** | 186,156 |
| Share Based Compensation | **-** | 21,718 |
| Development & Related | **-** | 6,507 |
| Marketing & Sales | **-** | 7,682 |
| | **(195,594)** | (222,063) |
| Operating Loss | **(195,594)** | (220,873) |
| **Other Income (Expenses)** | | |
| Finance Costs (note 6, 7) | **(12,895)** | (13,977) |
| Gain on Debt Settlement (note 8) | **235,621** | 671,457 |
| **Net Income & Comprehensive Income** | **27,132** | 436,607 |
| **Net earnings per share**<br>Basic & diluted (note 8 (e)) | **0.00** | 0.05 |

See accompanying notes to the financial statements

# LABRADOR TECHNOLOGIES INC.
## Statements of changes in shareholders' deficit

| | Capital | Shares to be Issued | Warrants | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at October 30, 2018** | **11,565,740** | **100,000** | **26,411** | **3,699,226** | **(16,343,598)** | **(952,221)** |
| Common shares issued, net (note 8 (b)) | 125,000 | (100,000) | - | - | - | 25,000 |
| Options and warrants (note 8 (c)(d)) | (20,266) | - | 20,266 | 21,718 | - | 21,718 |
| Net income and comprehensive income | - | - | - | - | 436,607 | 436,607 |
| **Balance at October 31, 2019** | **11,670,474** | **-** | **46,677** | **3,720,944** | **(15,906,991)** | **(468,896)** |
| Common shares issued, net | 26,181 | - | - | - | - | 26,181 |
| Options and warrants | - | - | (13,158) | 26,411 | - | 13,253 |
| Net income and comprehensive income | - | - | - | - | 27,132 | 27,132 |
| **Balance at October 31, 2020** | **11,696,655** | **-** | **33,519** | **3,747,355** | **(15,879,859)** | **(402,330)** |

See accompanying notes to the financial statements

# LABRADOR TECHNOLOGIES INC.
## Statements of cash flows

| | Years ended October 31, 2020 | October 31, 2019 |
|---|---|---|
| | **$** | **$** |
| **Cash flows used in operating activities** | | |
| Net Income | **27,132** | 436,607 |
| Adjustments for: | | |
| Share based compensation | **-** | 21,718 |
| Depreciation | **-** | 4,546 |
| Finance costs | **12,895** | 13,977 |
| Gain on settlement of debt and payables (note 8) | **(235,621)** | (671,457) |
| | **(195,594)** | (194,609) |
| Changes in non-cash working capital | | |
| Accounts receivable | **242** | 2,603 |
| Prepaid expenses | **3,152** | 5,079 |
| Trade payables and accrued liabilities | **26,325** | 33,013 |
| Deferred revenue | **-** | (500) |
| Cash used in operating activities | **(165,875)** | (154,414) |
| Interest paid | **-** | (2,565) |
| **Net cash used in operating activities** | **(165,875)** | (156,979) |
| **Cash flows from financing activities** | | |
| Common share issued, net | **-** | 25,000 |
| Proceeds from the convertible debenture (note 7) | **150,000** | - |
| Proceeds from loan advances (note 7) | **33,177** | 85,110 |
| **Net cash provided by financing activities** | **183,177** | 100,110 |
| Increase (decrease) in cash | **17,302** | (46,869) |
| Cash, beginning of year | **5,234** | 52,103 |
| Cash, end of year | **22,536** | 5,234 |

See accompanying notes to the financial statements

### 1. Reporting entity:

Labrador Technologies Inc. ("LTI" or the "Company") is a company domiciled in Alberta, Canada and is incorporated pursuant to the Business Corporations Act (Alberta), with its common shares listed on the TSX Venture Exchange under the symbol "LTX". The address of LTI's registered office is 3400-350 7th Ave SW, Calgary, Alberta, Canada T2P 3N9.

The Company was engaged in research and development of data retrieval technology but during the year ended October 31, 2019 changed focus and is now conducting activities to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction.

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital.

### 2. Basis of preparation:

a) *Statement of compliance:*

These financial statements have been prepared in accordance with International Financial Reporting Accounting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretation of the International Financial Reporting Interpretations Committee ("IFRIC") in effect on November 1, 2019.

The financial statements were authorized for issue by the Board of Directors on February 26, 2021.

b) *Basis of measurement:*

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are recorded at fair value.

On June 28, 2020, the Company entered into a commercial agreement with an arm's length party for the exclusive right to sell and market the software license through issuance of common shares (Note 12). As part of the agreement, the Company's common shares were consolidated on a 20:1 basis on August 7, 2020, resulting in a reduction in the issued and outstanding shares, options, and warrants (Note 8). All share, stock option and warrant, as well as per share, option and warrant data presented these financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

c) *Debt with warrants and convertible options*

The Company issues debt that may have separate warrants, conversion features or no equity-linked attributes which are accounted for as compound or hybrid financial instruments based on its features.

For convertible debt with warrants classified as hybrid financial instruments, the Company elects on an instrument-by-instrument basis to bifurcate embedded derivatives or fair value of the entire instrument.

d) *Use of estimates and judgments:*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses for the period. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an ongoing basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

i) Key judgments in applying accounting policies:

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are as follows:

*Going Concern* – as discussed in note 3, the Company's cash is not sufficient to fund the Company's current and future contractual commitments and is not sufficient to fund all planned business operations over the next year. In order to fund all current and future contractual commitments and planned business operations over the next year, the Company will have to raise additional capital. If the Company is not able to raise additional capital, the Company would have to reduce its cash requirements by eliminating or deferring spending on corporate activities. These conditions result in a degree of uncertainty which casts significant doubt on the Company's ability to continue as a going concern. Management has assessed the Company's ability to raise additional capital and continue as a going concern and has concluded that the going concern basis of accounting is appropriate.

*Stock options* - the Company records stock-based payments based on management's judgment of the expected exercise date of options which is impacted by the timing of future events.

ii) Estimation uncertainty:

The following are the key sources of estimation uncertainty and key assumptions concerning the future, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

*Deferred taxes* - assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future.

*Share-based compensation* - is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

*Convertible debentures and loans payable*
The Company makes estimates relating to the selection of an appropriate market rate of interest to discount contract interest and principal payments of the compound financial instrument. There are also estimates relating to the fair value of embedded features which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.

e) *Functional and presentation currency:*

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

## 3. Going concern:

These financial statements have been prepared in accordance with IFRS applicable to a going concern, which contemplates, that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

The Company is currently conducting activities to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. Management is aware of material uncertainties that could cast significant doubt about the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2020, the Company has negative working capital of $402,330 (2019 - $468,896) and had negative cash flows from operations of $165,875 (2019 - $156,979) for the year ended October 31, 2020.

During the year ended October 31, 2020 and the preceding year, there were several material improvements to the Company's financial position including $261,800 (2019 - $671,457) owed to creditors being converted into common shares or forgiven (note 8).

Management believes the going concern assumption is still appropriate for these financial statements but is dependent upon the successful raising of sufficient capital in the future as required, achieving and sustaining profitable operations, as well as the continued support from related parties and trade and other creditors. There can be no assurance that the steps management is taking will be successful.

This assumption is reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the classifications used in the statement of financial position.

## 4. Summary of significant accounting policies:

a) *Revenue recognition* - Revenue from contracts with customers are recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To recognize revenue from a contract, the Company applies the following five steps:

1. identify the contract(s) with the customer;
2. identify the performance obligations in the contract(s);
3. determine the transaction price;
4. allocate the transaction price; and
5. recognize revenue when a performance obligation is satisfied

Revenue from sale of eTriever licenses is recognized at the time access of the software is granted and recognized over the term of the contract. Any advance payments is recognized as deferred revenue with revenue recognized over the term.

b) *Cash* - cash includes cash at bank and on hand and short-term investments with original maturities of three months or less.

c) *Stock based compensation* - The fair value of stock options is determined using the Black-Scholes valuation model as of the grant date and is expensed over the vesting period, with a corresponding increase in equity, based on the Company's estimate of the number of options that will actually vest.

Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest and recognizes the impact of any revision in the statement of operations and comprehensive income.

When stock options are exercised, the Company records consideration received, together with amounts previously recognized in contributed surplus, as an increase in share capital.

d) *Income (loss) per share* - basic income (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options and warrants.

e) Impairment:

i) *Financial assets* - a financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

ii) *Non-financial assets* - the carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, and any impairment loss required is recognized in the statement of operations and comprehensive income (loss). An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

f) *Foreign currency* – Transactions in currencies other than the Company's functional currency are recorded at the rate of exchange in effect on the transaction dates. Realized and unrealized foreign exchange gains and losses are included in the statement of operations and comprehensive income in the period in which they occur.

g) *Finance costs* - Finance costs include interest expense on borrowings.

h) *Tax* - Taxes comprise current and deferred tax.

Current tax is the expected tax payable or receivable based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted at the reporting date and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from profit as reported in the statement of operations and comprehensive income because of items that are taxable or deductible in other years and items that are never taxable and deductible.

Deferred taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Deferred tax assets and liabilities are measured using the substantively enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. Any change to the net deferred tax assets and liabilities is included in profit or loss in the period it occurs. Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arise in the same tax jurisdiction and relate to the same taxable entity.

i) *Financial instruments*

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive loss (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The Company classifies all of its financial assets and liabilities as at amortized cost.

The classification of financial assets is driven by the Company’s business model for managing the financial assets and whether the contractual cash flow represent solely payments of principal and interest (“SPPI”). Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Measurement*

*Financial assets at FVTOCI*

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statement of operations and comprehensive income. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of operations and comprehensive income.

*Impairment of financial assets at amortized cost*

The Company's measurement of impairment of financial assets is based on expected credit losses. Under this new model, the Company's financial assets are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the financial assets.

For the financial assets, the Company applies the simplified approach to providing for expected credit losses which requires the use of the lifetime expected loss provision for all financial assets. In estimating the lifetime expected loss provision, the Company considered historical industry default rates as well as credit rating of major customers.

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement or operations and comprehensive income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of operations and comprehensive income.

j) *Research and Development Costs* - All costs of product research and development are expensed to profit or loss as incurred as the impact of both technological changes and competition require the Company to continually enhance its products on an annual basis.

## 5. Recent accounting pronouncements:

a) IFRS 16 Leases (*"IFRS 16")*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

(expressed in Canadian dollars)

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of October 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedients allowing a) the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application, and b) the measuring the right-of-use asset on transition as being equal to the amount of the lease liability initially recognized on transition. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

The Company does not have any leases and therefore there has not been any impact of adoption of IFRS 16.

## 6. Trade Payables and Accrued Liabilities:

| As at | October 31, 2020 ($) | October 30, 2019 ($) |
|---|---|---|
| Trade payables | 144,899 | 211,642 |
| Employee salaries, commissions and benefits payable | - | 183,758 |
| Accrued interest | 38,500 | 37,458 |
| Other accrued liabilities and other payables | 38,004 | 17,450 |
| | 221,403 | 450,308 |

Trade payables and accrued liabilities include the following related party balances: $nil (2019 - $2,577) in trade payables and $38,500 (2019 – $37,458) in accrued interest. All trade payables and accrued liabilities are currently due and expected to be settled as funding allows.

During the year ended October 31, 2020, the Company settled accounts payable in the amount of $261,802. The Company settled accounts payable to related parties in amount of $181,979; of which $175,979 was settled by issuance of common shares (note 8(b)) and $6,000 by cash consideration and the remaining $79,463 went to settle accounts payable.

During the year ended October 31, 2019, the Company entered into debt settlement agreements with various related parties, resulting in reductions of $682,970 in employee salaries, commission and benefits payable, $67,463 in accrued interest (Note 7).

## 7. Loans Payable Related Party Loans Payable:

*a) Related Party Transactions:*

As at October 31, 2020, the Company had $60,394 (2019 - $27,217) of loans payable and interest accrued to certain officers, directors, former directors, and shareholders. These loans are unsecured and due on demand. $42,502 of these loans bears no interest and the remaining $17,506 bears interest of 12%. Total interest accrued and payable for these loans as at October 31, 2020 was $9,325 (2019 - $16,708).

(expressed in Canadian dollars)

During the year ended October 31, 2020, additional advances on these loans of $33,177 (2019 - $85,110) were made to the Company and interest expense of $4,829 (2019 - $11,413) on the outstanding loans was recognized.

*b) Key Management Personnel Compensation:*

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

In addition to their salaries and director fees, as applicable, directors and executive officers, along with certain employees of the Company, also participate in the Company's stock option plan (note 8). Compensation expenses incurred with respect to key management personnel were as follows:

| | **Year ended October 31, 2020** | **Year ended October 31, 2019** |
|---|---|---|
| | **$** | **$** |
| Salaries | 7,500 | 7,000 |
| Share-based compensation | nil | 21,718 |
| Total Compensation | 7,500 | 28,718 |

c) Convertible Debenture:

On July 10, 2020, the Company closed a convertible debenture bridge financing ("Debenture") for gross proceeds of $150,000 through the issuance of 1,500,000 Units. Each unit consists of one secured debenture and one common share purchase warrant. The conversion price with respect to the common shares issued upon conversion of Debentures is $0.10 per common share on a post-consolidated basis. The Debenture is secured by a general security agreement over the Company's assets. The debenture will bear interest at the rate of 5% per annum and payable semi-annually. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per warrant for a period of 12 months.

| | **Debenture ($)** | **Warrants ($)** | **Total ($)** |
|---|---|---|---|
| **Opening carrying amount, October 31, 2019** | - | - | - |
| Convertible debenture issued gross | 136,747 | 13,253 | 150,000 |
| Accretion | 6,322 | - | 6,322 |
| **Ending carrying amount, October 31, 2020** | **143,069** | **13,253** | **156,322** |

The fair value of the liability component at the time of issue of $137,913 was calculated as the discounted cash flows assuming a market interest rate of 14.83%, which was the estimated rate for the convertible debentures without the equity conversion feature or the warrants. The value of the warrants was calculated as the difference between the $150,000 face value of the convertible debenture less the fair value allocated to the liability component.

(expressed in Canadian dollars)

## 8. Share Capital:

a) Authorized:

Unlimited preferred shares, series A and B, none of which were issued as of October 31, 2020, and unlimited common shares.

b) Common shares issued:

| | Year ended October 31,2020 | | Year ended October 31, 2019 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount ($)** | **Number of Shares** | **Amount ($)** |
| Balance, beginning | 8,636,517 | 11,670,474 | 8,411,518 | 11,565,740 |
| Common share issued, net | 261,801 | 26,181 | 225,000 | 125,000 |
| Warrants | - | - | - | (20,266) |
| Balance, ending | 8,898,318 | 11,696,655 | 8,636,518 | 11,670,474 |

On December 2, 2019, the Company issued 5,236,017 common shares (equal to 261,801 common shares post share consolidation) to settle accounts payable in amount of $261,802. The fair value of the common shares issued is $26,181, resulting in a gain on settlement of $235,621 (2019 - $671,457) which was recorded to other income. Of which, $181,979 went to settle salaries payable to a former director's estate and the remaining $79,823 went to settle accounts payable.

On May 16, 2019, the Company closed a financing for 2,500,000 units at a price of $0.01 for gross proceeds of $25,000. Each unit consist of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one share at an exercise price of $0.05 for a period of two years from the date of closing. The fair value of these warrants was estimated to be $2,099, using the Black-Scholes pricing model based on a volatility of 150%, risk-free interest rate of 1.59%, expected life of 2 years and no dividend yield. The value of warrants was recorded as a reduction of share capital.

On November 16, 2018, the Company closed a financing for 2,000,000 units, at a price of $0.05 per unit ("Unit"), for gross proceeds of $100,000. Each Unit consists of one common share and one common share purchase warrant, with an exercise price of $0.10 for a period of two years. The fair value of these warrants was estimated to be $18,167, using the Black-Scholes pricing model based on a volatility of 150%, risk-free interest rate of 2.22%, expected life of 2 years and no dividend yield. The value of warrants was recorded as a reduction of share capital.

As described under note 2(b), on August 7, 2020, the Company consolidated its common shares on a 20:1 basis resulting in a reduction in the issued and outstanding shares, stock options and warrants.

(expressed in Canadian dollars)

Stock option plan:
The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange's requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

| | | **October 31, 2020** | | | **October 31, 2019** |
|---|---|---|---|---|---|
| | Number of Options | | Weighted Average Price | Number of Options | | Weighted Average Price |
| Balance | 434,000 | $ | 1.00 | 787,500 | $ | 1.20 |
| Granted | - | $ | - | 62,500 | $ | 1.00 |
| Cancelled/Expired | (434,000) | $ | - | (416,000) | $ | - |
| **Balance** | - | | - | 434,000 | $ | 1.00 |
| **Exercisable** | - | | - | 434,000 | $ | 1.00 |

| | **October 31, 2020** | **October 31, 2019** |
|---|---|---|
| Weighted average remaining life | - | 2.91 years |
| Range of exercise price | - | $0.05 - $0.06 |

As a result of the common share consolidation on a 20:1 basis, the number of issued and outstanding stock options was reduced from 8,680,000 to 434,000 (2019 - from 8,680,000 to 434,000), and weighted average price per stock option has increased from $0.05 to $1.00 (2019 - from $0.05 to $1.00).

All stock option and per stock option data presented in the Company's financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

During the year ended October 31, 2020, 434,000 (2019 – 375,000) stock options were cancelled to certain directors, officers and consultants of the Company.

On July 31, 2020, 434,000 (2019 – 416,000) stock options were cancelled to certain directors, officers and consultants of the Company.

c) Warrants

| | Number of Warrants | | **October 31, 2020** Weighted Average Price | Number of Warrants | | **October 30, 2019** Weighted Average Price |
|---|---|---|---|---|---|---|
| Balance | 882,025 | $ | 1.80 | 719,525 | $ | 2.00 |
| Granted | 1,500,000 | $ | 0.10 | 162,500 | $ | 1.60 |
| Expired | (719,525) | $ | (1.60) | - | $ | - |
| **Balance** | 1,662,500 | $ | 0.25 | 882,025 | $ | 1.80 |
| **Exercisable** | 1,662,500 | $ | 0.25 | 882,025 | $ | 1.80 |

(expressed in Canadian dollars)

d) Per share amounts:

The weighted average number of common shares outstanding during the year ended October 31, 2020 was 8,876,083 (2019 – 8,565,285).

There was no dilutive effect of options and warrants for the year ended October 31, 2020 as the exercise prices of the options and warrants are out of the money.

## 9. Taxes:

a) The provision for income and other taxes reported differs from the amount computed by applying the combined Canadian Federal and Provincial statutory rate to the loss before income and other taxes. The reasons for this difference and the related tax effects are as follows:

| **Years ended October 31,** | **2020 ($)** | **2019 ($)** |
|---|---|---|
| Income before taxes | 27,132 | 436,607 |
| Combined statutory tax rate | 26.5% | 27% |
| Expected income tax expense | 7,190 | 117,884 |
| Non-deductible expenses | - | 5,864 |
| Impact of rate differences | - | 291,227 |
| Change in unrecognized temporary difference | (7,190) | (451,025) |
| Deferred income tax expense | - | - |

b) Deferred tax assets have not been recognized in respect of the following tax losses and temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

| | **2020 ($)** | **2019 ($)** |
|---|---|---|
| Non-Capital Tax Losses | 7,248,476 | 7,281,930 |

The non-capital tax losses are available to reduce future taxable income and will commence to expire in 2027 if not utilized.

## 10. Capital Management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy to maximize the return to its shareholders. The capital structure of the Company consists of cash and shareholders' deficit. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company makes adjustments to its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business. note 13 for liquidity risk related disclosures.

## 11. Financial Instruments and Financial Risk Management:

i) Determination of Fair Values

The following table analyzes recurring assets and liabilities measured at fair value in the statement of financial position. The different levels are defined as follows:

Level 1 - Determined by reference to quoted in active markets for identical financial assets and liabilities.

- The fair value of loans payable approximates their carrying value as they are payable on demand.
- The fair value of trade payables and accrued liabilities approximates their carrying value due to their short term to maturity.

Level 2 - Inputs to the valuations, other than quoted prices, are observable for the financial assets and liabilities, either directly or indirectly.

Level 3 - Inputs to the valuations are based on inputs that are not observable for the financial assets and obligations.

The fair value of the Company's financial assets and liabilities, except for convertible debenture, approximate its carrying value due to the short time to maturities of these items. The carrying value of convertible debenture approximates fair value due to the market rate of interest.

### Overview

The Company is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

a) *Interest rate risk:*

Interest rate risk is the risk that fair value of a financial instrument or its cash flows will fluctuate as a result of changes in interest rates.

The Company maintains its short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations.

The loans payable bear interest at a fixed rate of 12% and are due upon demand, thus the cash flows are not subject to interest rate risk.

b) *Liquidity risk:*

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. Given that the Company continues to use cash in operations, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company on a timely basis. Refer to note 3 for details regarding the going concern assumption.

At October 31, 2020, the Company has cash balances of $22,536 (2019 - $5,234) and a working capital deficiency of $402,330 (2019 - $468,896) and will therefore need to acquire additional sources of funding to meet obligations as they come due.

## 12. Subsequent Event:

On January 22, 2021, the TSX Venture Exchange provided conditional acceptance to the Company's commercial agreement with Claritas HealthTech Pte. Ltd. ("Claritas") for the exclusive right to sell and market the software license of Claritas's software for the Territory of North America (note 1). The payment for the license is through the issuance of 50 million shares of the Company at a deemed per share price of $0.10. In addition, the Company and Claritas have agreed to undertake a concurrent private placement of subscription receipts at $0.15 per subscription receipt unit for minimum gross proceeds of $2,500,000 and up to maximum gross proceeds of $5,000,000. Each unit will be composed of one Company common share and one-half Company common share purchase warrant. Each warrant entitles the holder to purchase one Company common share at a price of $0.30 per share for a period of 12 months following the closing date, subject to certain agreed upon terms and conditions. Closing of the transaction is subject to TSXV satisfactory review of closing documentation and final acceptance.

The Company entered into debt settlement agreement, effective upon closing of the above agreement (noted above), to settle loans and accounts payable in the amount of $46,370 (2019 - $83,032), to be satisfied upon cash payment, the indebtedness will be fully and absolutely repaid and satisfied.

## Corporate Information

For further information on Labrador Technologies Inc.,
Please visit SEDAR our website
www.labradortechnoloqies.com

**Board of Directors**
George A. Wilson*, Q.C., Toronto, Ontario
Jeffrey Howe*, Toronto, Ontario
Alexander Von Gramatzki*, Calgary, Alberta
*- members of the Audit Committee

**Executives and Officers**
Kaan Camlioglu, Interim Chief Executive Officer
Jeffrey Howe, Interim Chief Financial Officer

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**Stock Exchange**
The TSX Venture Exchange Trading Symbol: LTX