

01 Communique Laboratory Inc.

Notice to Reader

The MD&A for the year ended October 31, 2019 originally filed on February 6, 2020 is being refiled to correct the following errors and other nonmaterial typographic and clerical errors.

1. The table summarizing the cash operating expenses (page 9) and subsequent narrative (page 9) were amended. Cash operating expenses for the year ended October 31, 2019 were amended to \$801,447 from \$812,199 as originally filed (2018 - \$452,544 from \$455,236). The increase was amended to \$348,903 from \$356,963 as originally filed. Brackets were deleted around stock based compensation increase of \$81,973 (page 9 and 10). In the table (page 9) brackets were inserted around depreciation and amortization of \$5,376 for 2019 (2018 - \$1,346).
2. The table summarizing the adjusted loss (page 9) and subsequent narratives (page 9 and 13) were amended.
 - The non cash operating expenses for the year ended October 31, 2019 were amended to \$144,760 from \$134,008 as originally filed (2018 - \$58,757 from \$56,065). The increase was amended to \$86,003 from a decrease of \$77,943 as originally filed.
 - The adjusted loss for the year ended October 31, 2019 was amended to \$610,806 from \$621,558 as originally filed (2018 - \$328,870 from \$331,559). The increase was amended to \$281,939 from \$289,999 as originally filed.
3. Page 14. The weighted average number of common shares Basic and Diluted for the three months ended October 31, 2019 were amended to 80,212,646 from 77,488,373 as originally filed (2018 - to 71,326,416 from 67,749,286).
4. The table summarizing the cash operating expenses (page 15) and subsequent narrative (page 15) were amended. Cash operating expenses for the three months ended October 31, 2019 were amended to \$237,254 from \$240,132 as originally filed (2018 - \$225,952 from \$226,514). The increase was amended to \$11,302 from \$13,618 as originally filed. In the table brackets were inserted around the decrease in stock based compensation of \$9,806, depreciation and amortization of \$1,439 in 2019 (2018 - \$281).
5. The table summarizing the adjusted loss (page 15) and subsequent narratives (page 15 and 17) were amended.
 - The non cash operating expenses for the three months ended October 31, 2019 were amended to \$26,245 from \$23,367 as originally filed (2018 - \$34,893 from \$34,331). The decrease was amended to \$8,648 from an increase of \$10,964 as originally filed.
 - The adjusted loss for the three months ended October 31, 2019 was amended to \$177,070 from \$179,948 as originally filed (2018 - \$194,202 from \$194,764). The decrease was amended to \$17,132 from \$14,816 as originally filed.
6. Page 29. June 25, 2023 was amended to September 30, 2023; July 21, 2021 amended to July 29, 2021 and 984,916 compensation options amended to 800,000.
7. Page 30. For the three months ended October 31, 2019 selling, general and administrative were amended to \$158,532 from \$146,532. Research and development was amended to \$104,968 from \$116,968.
8. Page 31. The table was amended as follows.

for the 3 months ending	30-Apr-18 Amended	30-Apr-18 Originally filed	31-Jan-18 Amended	31-Jan-18 Originally filed
Accretion on liability portion of debenture	3,735	-	4,685	8,420
Profit (loss) before other income and taxes	(30,955)	(27,220)	(41,825)	(41,825)
Profit (loss) before taxes	(30,945)	(27,210)	(38,090)	(41,817)
Profit (loss) for the period and comprehensive profit (loss)	\$ (38,779)	\$ (35,044)	\$ (40,802)	\$ (44,537)

No other amendment has been made to any amount, balance or disclosure in the attached MD&A.

Dated: February 7, 2020



01 Communique Laboratory Inc.

Management's Discussion and Analysis

For the year ended October 31, 2019

ONE : TSX-V

Dated: February 4, 2020

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Management Discussion and Analysis
(In Canadian dollars)

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1. Introduction:

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") has been prepared by management and is a review of the consolidated operating results and financial position of 01 Communique Laboratory Inc. ("01 Communique" or the "Company"), based upon International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes to the audited consolidated financial statements as at and for the year ended October 31, 2019.

The Company maintains appropriate systems of internal control, policies, and procedures that provide management reasonable assurance that assets are safeguarded and that its financial information is reliable.

This document and the related audited consolidated financial statements were authorized for issue by the board of directors on February 4, 2020.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is effective as of February 4, 2020.

Additional information on the Company, including its audited consolidated financial statements, is filed on SEDAR.

2. Forward-looking statements:

This MD&A contains certain statements that may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements use such words as "may", "will", "expect", "believe", "plan", "intend", "are confident" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, risk factors discussed in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These

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2. Forward-looking statements (continued):

forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

3. Corporate overview and update:

The Company is focused on the development and commercialization of Post-Quantum Cryptography ("PQ-Crypto") and Post-Quantum Blockchain ("PQBC") technologies. In summary our vision in this respect is to commercialize our PQ-Crypto and PQBC technologies, which can be implemented on classical computer systems as we know them today while at the same time are secure enough to safeguard against potential quantum computer attacks.

The Company has a patent application for this technology:

- United States patent application No. 16/268,098 entitled "A Cryptographic System and Method". Our invention relates generally to cryptographic systems and methods. More particularly, our invention relates to public key cryptographic systems and methods that can be used, for example, to build highly secure systems for data storage, access, encryption, decryption, digital signing, and digital signing verification. Our cryptographic system is expected to protect our customers against the ever-evolving illegitimate and malicious means of gaining access to their data.

The Company has commenced its plan for commercialization of patent application No. 16/268,098 with the introduction of the IronCAP Application Program Interface ("API") earlier during the year in August 2019. The IronCAP API is available to vendors and can be used by vendors, for example, to build highly secure "post-quantum" systems for blockchain, 5G/IoT, data storage, remote access/VPN, encryption, digital signing etc. using the standard PKCS#11 and OpenPGP formats.

IronCAP X, a new cybersecurity product for email/file encryption, incorporates the patent application and is planned for commercial release later this year. This digital signature system is built by implementing the patent application to provide end-to-end encrypted messages. The new product has two major differentiations from what is in the market today. Firstly, offerings in today's market store users secured emails on email-servers for recipients to read, making email-servers a central target of cyber-attack. Our new product, on the other hand, delivers each encrypted message end-to-end to the recipients such that only the intended recipients can decrypt and read the message. Consumer's individual messages are protected, eliminating the hackers' incentive to attack email servers of email providers. Secondly, powered by our patent-pending PQ-Crypto technology, we believe our new product will be the world's first quantum-safe, digital signature email system; secured against cyberattacks from

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3. Corporate overview (continued):

today's systems and from quantum computers in the future. Consumers and businesses using our new cybersecurity product will have tomorrow's cybersecurity today.

There are a number of ongoing initiatives to help ensure successful commercialization of the Company's IronCAP X and IronCAP API, which include:

- Moving forward with the memorandum of understandings signed with:
 - Hitachi Solutions Create, Ltd. to undertake a market feasibility study in Japan with respect to the Company's new technology and
 - ixFintech of Hong Kong to work together on cybersecurity offerings and new business development as well as marketing initiatives throughout Asia.
- Assembled the basis of a world class development team tasked with completion of IronCAP X and executing on the development of an impressive product road map that encompasses a number of new products incorporating the Company's PQ-Crypto technology.
- The addition of new members to the board of directors and its advisory committee with significant expertise in blockchain technology and security.
- The company launched a new web site (www.ironcap.ca). The redesigned website offers quick and intuitive access to critical information regarding the IronCAP technology and family of products including IronCAP X and offers a significantly improved user experience.
- The new web site provides IronCAP X beta users the ability to register for a trial of IronCAP X when it is available.
- The Company engaged the services of an experienced marketing person to lead the roll out of the IronCAP products and services and is in advanced stages of discussion with an experienced business development person to forge alliances to derive revenue from these products and services.
- Business development meetings are progressing with several leading technology firms with respect to licensing IronCAP Crypto (ICC) and IronCAP X.
- The Company has received endorsements supporting our belief that IronCAP is secure enough to safeguard against potential attacks from quantum computers:
 - The Company ran a hackathon challenge which ran for 36 days open to contestants from anywhere in the world. A cash prize of \$100,000 was offered as a reward to any contestant who could crack IronCAP's quantum-safe encryption. There were 517 registrations from various countries around the world all trying unsuccessfully for the \$100,000 reward.
 - IronCAP, was selected as the Editor's Choice Award in a special "Quantum Computing" edition of the CIOReview magazine. CIO Review profiled the "10 Most Promising Quantum Computing Solution Providers" of 2019, and selected IronCAP as the Editor's choice.

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3. Corporate overview (continued):

In addition, the Company has a number of patents and patent applications which are incorporated in its I'm InTouch, I'm OnCall and I'm InTouch Meeting legacy product and service offerings, as follows:

- United States patent number 6,928,479 (the " '479 Patent") entitled "System, computer product and method for providing a private communication portal";
- United States patent number 6,938,076 entitled "System, computer product and method for interfacing with a private communication portal from a wireless device";
- United States patent number 8,234,701 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";
- Canadian patent number 2,524,039 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";
- Canadian patent number 2,309,398, entitled "A system, computer product and method for remotely accessing and controlling a networked computer";
- Japanese patent number 4,875,094 entitled (as translated) "Method of accessing and/or controlling target computer, involves directing proxy server to send digital signal to target computer, so that remote computer is permitted to access/control target computer on receipt of digital signal";
- Japanese patent number 5,832,027 entitled (as translated) "Private communication portal provision system for two-way pager network, has location facility computer for facilitating communication between two other computers"; and
- United States patent application No. 14/486492 entitled "System, computer product and method for implementing a cloud service with private storage"

4. Going concern:

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.

Management's plan to reduce the operating loss and ultimately become profitable and produce positive cash flows from operations is heavily dependent on: (i) a successful outcome from its strategic initiatives to realize monetary value from the development and commercialization of its Post-Quantum Cryptography and Post-Quantum Blockchain technologies; (ii) increasing product and service revenue from its I'm InTouch product offering through downloads from the Company's web site; and (iii) its relationship with a key customer Hitachi Solutions Create, Ltd. However, there can be no assurances the Company will be successful on any of these three initiatives.

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4. Going concern (continued):

Should the Company not be able to generate sufficient cash flows from any combination of these three initiatives to become profitable in the future and generate sufficient working capital to fund operations, then 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 or that such funds will be available on acceptable terms and within an acceptable period of time.

The outcome of these matters, which cannot be predicted at this time, represents a material uncertainty which may cast significant doubt with regard to the Company's ability to continue as a going concern. The 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 the Company's consolidated financial statements.

The three initiatives identified above and associated risks are explained below.

(i) Successful outcome from its strategic initiatives to realize monetary value from future product development.

We are implementing a plan on transitioning our focus and strategy to the development of our PQ-Crypto and PQBC technologies.

Blockchain is a decentralized, digitized, public ledger of all transactions, using what is known as Distributed Ledger Technology. In recent years Blockchain technology has garnered significant attention because it has successfully raised the bar for cyber security. This is due to the fact that corrupting or altering any piece of information on the Blockchain is generally considered to be a remote possibility as it would require vast amounts of computing power. The reason for this is that data blocks in a Blockchain are digitally signed with private keys and the signatures can only be validated using their corresponding public keys. Using the existing classical computer systems of today it is unlikely they would be able to get a private key from its corresponding public key.

However, there is a new breed of computer in development called Quantum Computers which may threaten the security of current Blockchain technology. A Quantum Computer can process information exponentially faster than "classical computers" which could render existing public key encryption unsecure. Since public key encryption is a cornerstone of cyber security today, Quantum Computers may have the ability to break Blockchains based on public key encryption. As a result, the Company has devoted a significant amount of time researching this new disruptive cyber security technology and based on this research we are proceeding with the development and commercialization of products incorporating our PQ-Crypto and PQBC

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4. Going concern (continued):

technologies that we believe may be secure against Quantum Computer attacks. The IronCAP API, which incorporates our PQ-Crypto and PQBC technologies, was released in August 2019 and IronCAP X, which also incorporates these technologies, is planned for release later this year.

There can be no guarantee that either the development of or commercialization of the Company's PQBC and PQ-Crypto technologies will be successful or lead to significant revenues for the Company.

(ii) Building direct sales subscriptions from on-line initiatives.

The Company has developed and markets through its web site a suite of products designed to meet the needs of mobile users who have a requirement for remote access, remote support and/or online meetings. These products are marketed under the Company's I'm InTouch, I'm OnCall or I'm InTouch Meeting product lines and are available by a simple download from the Company's web site.

The Company has expended considerable resources in developing these products and building a direct sales channel to market I'm InTouch, I'm InTouch Meeting and I'm OnCall. To date these initiatives have not generated sufficient revenue for the Company to become profitable. As the Company moves forward, it plans to maintain its products and make them available from the Company's web site. There can be no assurance that sufficient revenue will be generated from this on-line initiative in the future to allow the Company to become profitable and produce positive cash flow from operations.

(iii) Build licensing revenue from the Hitachi Solutions Create relationship.

The Company has formed a relationship with Hitachi Solutions Create whereby the companies have co-developed products for the Japanese market based on the Company's intellectual property portfolio. Hitachi Solutions Create retains exclusivity for marketing these products in Japan and the Company retains its marketing rights for the rest of the world.

There can be no guarantee that this relationship will lead to significant revenues for the Company, or that the relationship will lead to other business opportunities which the Company is trying to secure.

The Company is providing support as requested and now awaits the results from Hitachi Solutions Create's sales activities.

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5. Overview of results of operations:

The information in the financial table below present selected financial information for the three years ended October 31, 2019, 2018 and 2017. Information has been prepared in accordance with IFRS. The amounts are in Canadian Dollars.

	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>31-Oct-17</i>
Revenue	\$ 283,107	\$ 202,967	\$ 503,987
Expenses (income):			
Selling, general and administrative	562,200	306,401	258,255
Research and development	384,007	204,900	172,716
	<u>946,207</u>	<u>511,301</u>	<u>430,971</u>
Profit (loss) before accretion on liability component of debenture, interest, other income, and taxes	(663,100)	(308,334)	73,016
Interest on debenture	60,000	50,295	40,000
Accretion on liability portion of debenture	17,731	16,853	17,104
Profit (loss) before other income and taxes	<u>(740,831)</u>	<u>(375,482)</u>	<u>15,912</u>
Foreign exchange gain	-	5,069	5,073
Interest income	9,900	1,210	41
Reversal of accrued liability	441,809	-	-
Profit (loss) before taxes	<u>(289,122)</u>	<u>(369,203)</u>	<u>21,026</u>
Withholding taxes	24,635	18,421	45,934
Loss and comprehensive loss	<u>\$ (313,757)</u>	<u>\$ (387,624)</u>	<u>\$ (24,908)</u>

The loss and comprehensive loss for fiscal 2019 was \$313,757 a decrease of \$73,867 compared to fiscal 2018 and an increase of \$288,849 from the loss of \$24,908 in 2017. The major reasons for the variance in the loss for fiscal years 2017 through 2019 are as follows:

- (a) Revenue in 2017 includes the results from a co-development agreement signed with Hitachi Solutions Create to enhance DoMobile a remote access offering built on the Company's I'm InTouch platform and marketed exclusively in Japan by Hitachi Solutions Create under

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5. Overview of results of operations (continued):

agreement with the Company. The Company completed development and recognized revenue in 2017 resulting from these development efforts. In addition to the revenue from this co-development agreement the Company also received licensing fees for the Company's share of revenue received from third parties for the sale of DoMobile in Japan by Hitachi Solutions Create. Revenue in 2019 and 2018 includes the resulting ongoing licensing fees from Hitachi Solutions Create. During 2019 there was an increase of \$83,948 over 2018 as a result of increased licensing fees and additional development fees from Hitachi Solutions Create which accounted for the Company's increase in revenue in 2019 from 2018.

- (b) Operating expenses in fiscal 2019 were \$946,207 a \$434,906 increase compared to fiscal 2018 and a \$515,236 increase compared to fiscal 2017. This increase in operating expenses is a result of the investment the Company has made over the past three years as we developed and prepared for commercialization of our PQ-Crypto and PQBC technologies.
- (c) Reversal of accrued liability in the amount of \$441,809. Up until April 2018, the Company was involved as the plaintiff in various patent litigations. Under the terms of the engagement with the lawyers acting on behalf of the Company in these matters, the Company made use of a contingency fee arrangement for the legal fees. Under this arrangement, the Company was required to pay for certain out of pocket expenses. In prior years, the Company recognized an estimated obligation for these out of pocket expenses of \$441,809. The Company was unsuccessful in the patent litigation and is no longer proceeding on these matters. As a result, the Company has amended its original estimate and determined that the accrual is no longer required. The change in estimate has been reflected in the current year consolidated statement of operations and comprehensive loss.

6. Use of non-IFRS terms:

- 1. In the Company's financial reporting, reference is made to cash operating expenses, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. Cash operating expenses are operating expenses excluding the non-cash operating expenses of stock based compensation, depreciation and amortization. This measure is used to assist in monitoring cash expenses of the Company as it is an indication of the amount of expenses required to fund the Company's operations on a cash basis. Stock based compensation is a non cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. The table below summarizes cash operating expenses.

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6. Use of non-IFRS terms (continued):

	<i>For the years ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Total operating expenses	\$ 946,207	\$ 511,301	\$ 434,906
Less - Stock based compensation	(139,384)	(57,411)	81,973
Depreciation and amortization	(5,376)	(1,346)	4,030
Cash operating expenses	<u>\$ 801,447</u>	<u>\$ 452,544</u>	<u>\$ 348,903</u>

Cash operating expenses for fiscal 2019 were \$801,447 (2018 - \$452,544) an increase of \$348,903 primarily a result of our investment in the development of and getting ready for commercial release of our PQ-Crypto and PQBC technologies.

- In the Company's financial reporting, reference is made to adjusted loss, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. The adjusted loss is the loss for the period and comprehensive loss excluding non-cash operating expenses, unusual items and is indicative of the loss for the period excluding non-cash operating expenses which are stock based compensation, and depreciation and amortization. This measure is used to assist in monitoring cash requirements of the Company as it is an indication of the amount of cash required to fund the Company's operations, on a cash basis. Stock based compensation is a non-cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. Unusual items such as the reversal of a prior year's accrual as reported in 2019 are considered to be non-recurring. The table below summarizes the adjusted loss.

	<i>For the years ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Loss and comprehensive loss	\$ (313,757)	\$ (387,624)	\$ (73,867)
Less: non cash operating expenses	(144,760)	(58,757)	86,003
Add back: unusual item , reversal of accrued liability	441,809	-	441,809
Adjusted loss for the period	<u>\$ (610,806)</u>	<u>\$ (328,870)</u>	<u>\$ 281,939</u>

The loss and comprehensive loss for fiscal 2019 of \$313,757 (2018 – \$387,624) includes as part of operating expenses non-cash expenses of \$144,760 (2018 - \$58,757) and an unusual item being a reversal of an accrued liability which reduces the loss by \$441,809. Excluding these non-cash operating expenses, which are included in operating expenses, and the reversal of the accrued liability the adjusted loss for 2019 becomes \$610,806 (2018 – \$328,870) an increase of \$281,939 primarily a result of our investment in the development of and getting ready to launch our PQ-Crypto and PQBC technologies.

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7. Results of operations:

Revenue

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

	<i>For the years ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
United States	\$ 16,939	\$ 18,451	\$ (1,512)
Canada	8,810	12,306	(3,496)
Japan	257,358	172,210	85,148
	<u>\$ 283,107</u>	<u>\$ 202,967</u>	<u>\$ 80,140</u>

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

	<i>For the years ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Royalty fees	\$ 171,783	\$ 147,010	\$ 24,773
Development fees	59,175	-	59,175
Subscription and maintenance fees	52,149	55,957	(3,808)
	<u>\$ 283,107</u>	<u>\$ 202,967</u>	<u>\$ 80,140</u>

Revenue for fiscal 2019 was \$283,107 compared to 2018 of \$202,967 an increase of \$80,140 primarily a result of an increase from royalty and development fees in Japan. Revenue from Japan includes the ongoing subscription and maintenance fees from Hitachi Solutions Create. Revenue from Canada and the United States includes subscription fees received from our I'm InTouch service.

Gross profit

The vast majority of the Company's products sold are software based, which typically have a high gross margin. The gross margin for fiscal 2019 and 2018 was 100%.

Selling, general and administration ("SG&A")

	<i>For the years ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Selling, general and administration	\$ 562,200	\$ 306,401	\$ 255,799
less: stock-based compensation	(139,384)	(57,411)	81,973
	<u>\$ 422,816</u>	<u>\$ 248,990</u>	<u>\$ 173,826</u>

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7. Results of operations (continued):

SG&A expenses, net of stock based compensation for fiscal 2019 were \$422,816 (2018 - \$248,990) an increase of \$173,826 primarily a result of an increase in expenses pertaining to general corporate and administrative expenses required to be spent as we continue to invest in development of our PQ-Crypto and PQBC technologies.

Stock-based compensation was \$139,384 in 2019 (2018 - \$57,411) an increase of \$81,973. There were 2,100,000 (2018 – 1,970,000) stock options granted in 2019. The average grant date fair value of options granted during the year was \$0.081 (2018 - \$0.066). 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 weighted average assumptions used for grants for the year ended October 31, 2019: dividend yield of nil (2018 - nil), expected volatility of between 175% and 185% (2018 – between 169% and 194%), weighted average risk-free interest rate of 2.25% (2018 – 2.25%) and expected lives of four years (2018 – between 18 months and four years).

Research and development

	<i>For the years ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Research and development	\$ 384,007	\$ 204,900	\$ 179,107

Research and development expenses for 2019 were \$384,007 (2018 - \$204,900) an increase of \$179,107. The increase in research and development expenses relates to the Company's product development efforts as we invest in the development of our PQ-Crypto and PQBC technologies.

8. 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 tables present the expenses based on their nature:

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8. Operating expenses (continued):

for the year ended 31-Oct-19	SG&A	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 200,702	\$ 270,606	\$ 471,308
Stock-based compensation	139,384	-	139,384
Other operating expenses	222,114	113,401	335,515
	<u>\$ 562,200</u>	<u>\$ 384,007</u>	<u>\$ 946,207</u>
for the year ended 31-Oct-18	SG&A	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 83,274	\$ 147,516	\$ 230,790
Stock-based compensation	57,411	-	57,411
Other operating expenses	165,716	57,384	223,100
	<u>\$ 306,401</u>	<u>\$ 204,900</u>	<u>\$ 511,301</u>
Increase (decrease)	SG&A	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 117,428	\$ 123,090	\$ 240,518
Stock-based compensation	81,973	-	81,973
Other operating expenses	56,398	56,017	112,415
	<u>\$ 255,799</u>	<u>\$ 179,107</u>	<u>\$ 434,906</u>

Operating expenses for 2019 were \$946,207 (2018 - \$511,301) an increase of \$434,906. Salaries, contractors, commissions and benefits in 2019 were \$471,308 (2018 - \$230,790) an increase of \$240,518 which was the result of the increase in personnel related costs in SG&A and research and development as the Company continued with its investment in development and getting ready for the launch of its PQ-Crypto and PQBC technologies.

Other operating expenses required to run the business for 2019 were \$335,515 (2018 - \$223,100) an increase of \$112,415 primarily a result of an increase in expenses pertaining to general corporate and administrative expenses and costs associated with our patent applications and trademark applications. The Company also incurred costs associated with moving its head office from Mississauga to Toronto as well as an increase in monthly rental costs.

Stock-based compensation was \$139,384 in 2019 (2018 - \$57,411) an increase of \$81,973. There were 2,100,000 (2018 - 1,970,000) stock options granted in 2019. The average grant date fair value of options granted during the year was \$0.081 (2018 - \$0.066). 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 weighted average assumptions used for grants for the year

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8. Operating expenses (continued):

ended October 31, 2019: dividend yield of nil (2018 - nil), expected volatility of between 175% and 185% (2018 – between 169% and 194%), weighted average risk-free interest rate of 2.25% (2018 – 2.25%) and expected lives of four years (2018 – between 18 months and four years).

9. Liquidity and capital resources:

	As at:		
	31-Oct-19	31-Oct-18	Increase (decrease)
Cash and cash equivalents	\$ 283,712	\$ 113,760	\$ 169,952
Guaranteed investment certificate	300,000	700,000	(400,000)
Combined amounts	\$ 583,712	\$ 813,760	\$ (230,048)

Cash, cash equivalents and guaranteed investment certificates were \$583,712 as at October 31, 2019 compared to \$813,760 as at October 31, 2018 a decrease of \$230,048 primarily a result of:

1. The Company funding its adjusted loss for 2019 of \$610,806 which is a use of funds.
2. The Company completed a non-brokered private placement providing net proceeds of \$405,721 which is a source of funds.

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 October 31, 2019, the Company had other financial assets, consisting of cash and cash equivalents, guaranteed investment certificate and accounts receivable of \$679,767 (2018 - \$876,456) and other financial liabilities, consisting of accounts payable and accrued liabilities and liability component of debenture of \$531,665 (2018 - \$975,285). The Company has a \$400,000 debenture which is due April 24, 2020. The Company has split the debenture and warrant components of the debenture into the debt and equity components and recorded the debt component as a liability and the equity component as equity. The debenture's amortized cost as at October 31, 2019 is \$390,703 (2018 - \$390,733).

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9. Liquidity and capital resources (continued):

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

The Company's long-term viability is dependent on its 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 (*see Section 4 –Going Concern*).

10. Fourth quarter 2019 results:

The information in the financial table below present selected financial information for the three month periods ended October 31, 2019 and 2018. Information has been prepared in accordance with IFRS. The amounts are in Canadian Dollars.

	<i>for the 3 months ended</i>	
	<i>31-Oct-19</i>	<i>31-Oct-18</i>
Revenue	\$ 80,832	\$ 48,875
Expenses (income):		
Selling, general and administrative	158,532	138,467
Research and development	104,968	122,379
	<u>263,499</u>	<u>260,845</u>
Loss before accretion on liability component of debenture, interest, other income, and taxes	(182,667)	(211,970)
Interest on debenture	15,000	15,000
Accretion on liability portion of debenture	4,320	4,319
Loss before other income and taxes	<u>(201,987)</u>	<u>(231,289)</u>
Foreign exchange gain	-	5,069
Interest income	5,006	1,169
Reversal of accrued liability	441,809	-
Profit (loss) before taxes	<u>244,828</u>	<u>(225,051)</u>
Withholding taxes	6,334	4,044
Profit (loss) for the period and comprehensive profit (loss)	<u>\$ 238,494</u>	<u>\$ (229,095)</u>
Basic	\$ 0.00	\$ (0.00)
Diluted	\$ 0.00	\$ (0.00)
Weighted average number of common shares		
Basic	80,212,646	71,326,416
Diluted	80,212,646	71,326,416

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10. Fourth quarter 2019 results (continued):

There was a profit for the fourth quarter 2019 of \$238,494 compared to a loss for the fourth quarter 2018 of \$229,095 a positive change of \$467,589 primarily a result of:

- Recording the reversal of the accrued liability during the fourth quarter 2019 in the amount of \$441,809. The loss before other income and taxes for 2019 was \$201,987 compared to \$231,289 for the same period in 2018.
- Revenue for fourth quarter 2019 was \$80,832 (2018 - \$48,875) an increase of \$31,957 primarily from an increase in revenue in Japan.
- Operating expenses for fourth quarter 2019 were \$263,499 (2018 - \$260,845) which overall is a modest increase of \$2,654.

The cash operating expenses for the fourth quarter 2019 is shown in the table below:

	<i>For the three months ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Total operating expenses	\$ 263,499	\$ 260,845	\$ 2,654
Less - Stock based compensation	(24,806)	(34,612)	(9,806)
Depreciation and amortization	(1,439)	(281)	1,158
Cash operating expenses	<u>\$ 237,254</u>	<u>\$ 225,952</u>	<u>\$ 11,302</u>

The cash operating expenses for fourth quarter 2019 were \$237,254 (2018 - \$225,952) which is a modest increase of \$11,302.

The adjusted loss for the fourth quarter 2019 is shown in the table below:

	<i>For the three months ended</i>		
	<i>31-Oct-19</i>	<i>31-Oct-18</i>	<i>Increase (decrease)</i>
Profit (loss) for the period and comprehensive profit (loss)	\$ 238,494	\$ (229,095)	\$ (467,589)
Less: non cash operating expenses	(26,245)	(34,893)	(8,648)
Add back: reversal of accrued liability	441,809	-	441,809
Adjusted Loss for the period	<u>\$ (177,070)</u>	<u>\$ (194,202)</u>	<u>\$ (17,132)</u>

The adjusted loss for fourth quarter 2019 was \$177,070 (2018 - \$194,202) a decrease of \$17,132.

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10. Fourth quarter 2019 results (continued):

The following table presents the operating expenses for the quarter according to the function to which they relate:

<i>three months ended</i> <i>31-Oct-19</i>	SG&A	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 63,689	\$ 79,431	\$ 143,120
Stock-based compensation	24,806	-	24,806
Other operating expenses	70,037	25,537	95,573
	<u>\$ 158,532</u>	<u>\$ 104,968</u>	<u>\$ 263,499</u>

<i>three months ended</i> <i>31-Oct-18</i>	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 39,927	\$ 99,074	\$ 139,001
Stock-based compensation	34,612	-	34,612
Other operating expenses	63,927	23,305	87,232
	<u>\$ 138,466</u>	<u>\$ 122,379</u>	<u>\$ 260,845</u>

<i>Increase (decrease)</i>	SG&A	Research and development	
Salaries, contractors, commissions and benefits	\$ 23,762	\$ (19,643)	\$ 4,119
Stock-based compensation	(9,806)	-	(9,806)
Other operating expenses	6,109	2,232	8,341
	<u>\$ 20,065</u>	<u>\$ (17,411)</u>	<u>\$ 2,654</u>

Operating expenses for fourth quarter 2019 were \$263,499 and were in line with fourth quarter 2018 of \$260,845 both in total and by function.

The table below represents the cash and cash equivalents and the guaranteed investment certificate:

As at:	<i>31-Oct-19</i>	<i>31-Jul-19</i>	<i>Increase (decrease)</i>
Cash and cash equivalents	\$ 283,712	\$ 498,038	\$ (214,326)
Guaranteed investment certificate	300,000	200,000	100,000
Combined amounts	<u>\$ 583,712</u>	<u>\$ 698,038</u>	<u>\$ (114,326)</u>

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10. Fourth quarter 2019 results (continued):

The combined amounts as at October 31, 2019 were \$583,712 compared to \$698,038 as at July 31, 2019 a \$114,326 reduction, which is due primarily to:

- Funding the adjusted loss for the period of \$177,070, which is a use of funds.
- Excluding the reversal of the accrued liability of \$441,809 there was a positive change in non-cash working capital, primarily a result of an increase in accounts payable of \$56,235. This is a source of funds.

11. Debenture:

The Company completed a financing which closed on April 24, 2015 and raised \$400,000, which comprises four (4) debenture units ("Debenture Units") which remain outstanding as amended, as at October 31, 2019. Each Debenture Unit consists of one secured debenture ("Debenture"), with a principal amount of \$100,000, and 200,000 common share purchase warrants ("Warrants"). The Debentures are secured by a general security agreement over all present and future property of the Company. Each Warrant is exercisable into one common share in the capital of the Company at any time until expiry. On the initial close, each Debenture bore interest at a rate of 10% per annum, calculated and payable quarterly and had a term of 36 months maturing on April 24, 2018 and each Warrant was exercisable at a price of \$0.21 and had an expiry date of April 24, 2018. Each Debenture is redeemable at any time prior to maturity at the discretion the Company, with payment of an additional three months interest. On January 31, 2018 and March 27, 2019, the Company entered into agreements to amend the terms of the April 24, 2015 Debenture Units. As at October 31, 2019, the Company was in compliance with all covenants of the Debenture Units as amended. Each amendment is detailed as follows:

- (i) January 31, 2018 - The amendment was treated as a cancellation of the April 24, 2015 Debenture and Warrants and an issuance of a new Debenture and Warrants under the new terms. Under the terms of the January 31, 2018 amendment, the rate of interest on the Debentures increased to 15% per annum from 10% per annum effective April 25, 2018, the maturity date was extended to April 24, 2019, the Warrant exercise price was decreased to \$0.10 from \$0.21 with the expiry date being extended to April 24, 2019. In addition the Warrants as amended provided for an expiry date acceleration clause such that the exercise period of the Warrants would be reduced to 30 days if, for any ten consecutive trading days during the unexpired term of the Warrant (the "Premium Trading Days"), the closing price of the common shares of the Company exceeds the exercise price of the Warrants by 25% or more. The reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day.

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11. Debenture (continued):

- (ii) March 27, 2019 - The amendment was treated as a cancellation of the January 31, 2018 Debenture and Warrants and an issuance of a new Debenture and Warrants under the new terms. Under the terms of the March 27, 2019 amendment, the maturity date of the Debentures and the expiry date of the Warrants was extended to April 24, 2020. The interest rate on these Debentures, the exercise price on these Warrants and all other terms and conditions remained consistent with the January 31, 2018 amendment. During the year, the accelerated expiry date of the warrants was triggered, which under the terms of the Warrant agreements would result in the expiry of the warrants unless exercised within 30 days. The Board of Directors agreed to amend the Warrant agreements to extend the expiry date April 24, 2020.

In accordance with the provisions of IFRS, as they apply to the Debenture, the Company has split the Debenture and Warrant components of the Debenture and subsequent amended Debentures into their debt and equity components and recorded the debt component as a liability and the equity component as equity. In determining the valuation of the liability and the equity components, the Company calculated the value of the liability component first, using a discount rate appropriate for what a similar debt instrument, absent any warrants, would have commanded at that time. The residual of the proceeds over the inherent value of the liability component was attributed to the equity portion of the Debenture. Accretion charges on the liability component aggregating \$17,731 (2018 – \$16,853) are calculated using the discount rate of 20% and have been recorded in the statements of operations and comprehensive loss.

12. Subsequent event:

Subsequent to the year-end, the outstanding Debentures were extinguished and new Debentures and Warrants were issued. On January 24, 2020, the Company agreed with the holders of such Debentures to redeem all of the Debentures currently outstanding without any prepayment penalty and issue new secured Debentures under the same terms and conditions of the previously amended Debentures, other than the maturity date extension to April 24, 2021. In connection with the issuance of the new Debentures the Company has cancelled the original 800,000 common share purchase warrants issued and issued an aggregate of 800,000 new common share purchase warrants. Each such warrant is exercisable at any time prior to April 24, 2021 into one common share in the capital of the Company at an exercise price of \$0.13 per share.

In accordance with the provisions of IFRS, as they apply to the Debentures, the Company will split the Debenture and Warrant components of the January 24, 2020 Debentures into their debt and equity components and record the debt component as a liability and the equity component as equity. In determining the valuation of the liability and the equity components, the Company calculates the value of the liability component first, using a discount rate appropriate for what a

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12. Subsequent event (continued):

similar debt instrument, absent any warrants, would have commanded at that time. The residual of the proceeds over the inherent value of the liability component is attributed to the equity portion of the Debenture. The Company estimates the liability component of the amended Debenture will aggregate \$378,300 using a discount rate of 20%. The equity portion of the amended Debenture is estimated as the residual \$21,700.

13. 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.

Currency risk:

Net monetary liabilities due in U.S. dollars include accounts payable of \$13,882 (October 31, 2018 – \$346,841), cash of \$117,362 (October 31, 2018 - \$13,557) and accounts receivable of \$56,327 (October 31, 2018 - \$31,143).

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 both sales made and expenses incurred 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 either the date of the sales transaction to the collection date due or from the date an expense is incurred in the U.S. to the date the payment is made. As at October 31, 2019, the Company had net monetary assets due in U.S. dollars of \$160,000 (2018 – net monetary liability of \$302,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at October 31, 2019 would have resulted in a gain in the amount of \$21,000 (2018 - \$39,200) or a loss of \$21,000 (2018 - \$39,200), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the year ended October 31, 2019. 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 year ended October 31, 2019. 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 change to the net loss for the year ended October 31,

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13. Market risk (continued):

2019. An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% during the year ended October 31, 2019 would have resulted in a gain in the amount of \$17,200 (2018 - \$17,200) or a loss of \$17,200 (2018 - \$17,200), 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 and the liability component of the debenture.

14. Contractual obligations and contingencies:

The company is committed to minimum annual rental payments in respect of leases for premises inclusive of estimated amounts for realty taxes and other occupancy charges as shown below. The premises lease expires March 31, 2021.

2020	\$	46,874
2021		19,667
	\$	66,541

Rental expense under operating lease agreements for 2019 were \$35,827 (2018 - \$21,000). The Company's new location is 789 Don Mills Road, Suite 700, Toronto, ON M3C 1T5.

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, are expected to have a material adverse effect on the consolidated financial position or results of operations.

15. Related party transactions:

The remuneration of directors and other key management personnel of the Company during the years ended October 31, 2019 and 2018 was as follows:

	<i>For the years ended</i>	
	<i>31-Oct-19</i>	<i>31-Oct-18</i>
Salaries and contractor fees	\$ 216,250	\$ 117,500
Stock based compensation	121,479	27,890

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15. Related party transactions (continued):

The Company's President and Chief Executive Officer invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during 2019 were \$59,750 (2018 - \$56,000) and have been included in research and development expenses and are included in the salaries and contractor fees amounts in the above table. In addition, the President and Chief Executive Officer received a salary for 2019 of \$84,000 (2018 - \$14,000) which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractors fees amounts in the above table.

16. Critical accounting estimates:

The 2019 annual consolidated financial statements outline the Company's significant accounting policies and estimates. See note 1 and 2 of the audited consolidated financial statements for the year ended October 31, 2019 for a discussion regarding the Company's accounting policies and the application of accounting estimates and judgments.

The preparation of consolidated financial statements prepared in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Management must also make estimates and judgments about future results of operations in assessing recoverability of assets and the value of liabilities. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas requiring the use of estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements include:

- (i) The fair value for stock based compensation transactions where key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk free interest rate are used. The Company accounts for its stock option plan using the fair value method. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the vesting period. No compensation expense is recognized for stock options that employees forfeit if they fail to satisfy the service requirement for vesting.

Stock-based compensation was \$139,384 in 2019 (2018 - \$57,411) an increase of \$81,973. There were 2,100,000 (2018 - 1,970,000) stock options granted in 2019. The average grant date fair value of options granted during the year was \$0.081 (2018 - \$0.066). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-

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16. Critical accounting estimates (continued):

pricing model with the following weighted average assumptions used for grants for the year ended October 31, 2019: dividend yield of nil (2018 - nil), expected volatility of between 175% and 185% (2018 – between 169% and 194%), weighted average risk-free interest rate of 2.25% (2018 – 2.25%) and expected lives of four years (2018 – between 18 months and four years).

- (ii) In accordance with the provisions of IFRS, as they apply to the Debenture, the Company has split the Debenture and Warrant components of the Debenture and the amended Debenture into their debt and equity components and recorded the debt component as a liability and the equity component as equity. In determining the valuation of the liability and the equity components, the Company calculated the value of the liability component first, using a discount rate appropriate for what a similar debt instrument, absent any warrants, would have commanded at that time. The residual of the proceeds over the inherent value of the liability component was attributed to the equity portion of the Debenture. Accretion charges on the liability component aggregating \$17,731 (2018 – \$16,853) are calculated using the discount rate of 20% for the Debenture and have been recorded in the statements of operations and comprehensive loss.

17. Risk factors:

An investment in Common Shares is speculative and involves a high degree of risk, is subject to the following specific risks, among others, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Prospective investors should review these risks as well as other matters disclosed elsewhere in this Annual Information Form with their professional advisors.

Prospects for companies in the computer and software industry generally may be regarded as uncertain given the inherent nature of the industry and, accordingly, investments in such companies should be regarded as speculative.

(a) Lack of Revenue and Profitability

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.

Management's plan to reduce the operating loss and ultimately become profitable and produce positive cash flows from operations is heavily dependent on: (i) a successful outcome

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17. Risk factors (continued):

from its strategic initiatives to realize monetary value from future product development; (ii) increasing product and service revenue from its I'm InTouch product offering through downloads from the Company's web site; and (iii) its relationship with a key customer Hitachi Solutions Create, Ltd. However, there can be no assurances the Company will be successful on any of these three initiatives. Should the Company not be able to generate sufficient cash flows from any combination of these three initiatives to become profitable in the future and generate sufficient working capital to fund operations as well as discharge its current working capital deficiency, then 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 or that such funds will be available on acceptable terms and within an acceptable period of time.

The outcome of these matters, which cannot be predicted at this time, represents a material uncertainty which may cast significant doubt with regard to the Company's ability to continue as a going concern. The 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. *See Section 4 - Going Concern.*

(b) Listing of the Company's Common Shares

The stock exchange on which the Company's Common Shares currently trade and upon which they may trade in the future have certain minimum listing requirements that must be met in order to be eligible to continue to trade on such exchanges. If the Company is unable to continue to satisfy these criteria it may be delisted from these exchanges and will be required to find a different exchange on which to list. A change in the exchange on which the Common Shares are listed may result in a decreased share price and/or decreased liquidity. Furthermore, if the Company is not able to find a different exchange on which to list shareholders may not be able to transfer their shares. The trading symbol for the Company is ONE and the shares trade on the TSX-V.

(c) New Products and Technological Change

The communications software industry is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions, any of which could make the Company's products obsolete. There can be no assurance that the Company will be successful in enhancing existing products or introducing, manufacturing or marketing new products to meet changing end-user requirements and emerging industry standards and

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17. Risk factors (continued):

protocols. The Company must devote continued efforts and financial resources to develop and enhance existing products and conduct research to develop new products. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends. The Company may not be able to identify, develop, manufacture, market or support new or enhanced products successfully or on a timely basis and may not be able to respond effectively to product announcements by competitors, technological changes or emerging industry standards which could, among other things, have a material adverse effect on the Company's business, operating results or financial condition. The Company may also announce new products or product enhancements, capabilities or technologies that have the potential to replace or shorten the life cycle of its existing product offerings and that may cause customers to defer purchasing its existing products.

(d) Market Acceptance of Products

The Company designs and develops software-based products for the remote access and support market. As with any technology, there is a substantial risk that the marketplace may not accept the Company's products. Market acceptance of the Company's products depends, in large part, upon its ability to demonstrate its products' performance and cost-effectiveness over competing products and upon the success of its sales efforts as well as those of its customers. The Company may not be able to continue to market its products successfully and no assurance can be given that any of its current or future products will be accepted in the marketplace.

(e) Competition

Competition in the remote access and support market place is intense and growing rapidly. Accordingly, it is possible that new competitors or alliances among competitors and vendors may emerge and rapidly acquire market share. Many of the Company's current and potential competitors have significantly greater financial, technical, marketing, service, support and other resources than the Company, as well as longer operating histories, greater name recognition and larger customer bases. As a result, they may be able to secure resources on more favorable terms than the Company, and they may be able to respond more quickly to changes in customer preferences or to devote greater resources to the development, promotion and sale of their products than can the Company. Increased competition could result in significant price competition, reduced profit margins, fewer customer orders or loss of market share. The Company may not be able to compete successfully with existing or future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results or financial condition.

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17. Risk factors (continued):

(f) No Assurance of Successful Marketing

The Company does not have extensive experience in successfully marketing its products. Thus, there can be no assurance that future efforts to market its products will be successful. If the Company relies on third parties to market its products, the commercial success of such products may be outside of the Company's control.

(g) Proprietary Technology

The Company's success will depend, in part, on its ability to maintain copyright and trademark protection, trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that the Company's intellectual property rights, copyright and/or trademarks will not be challenged by any third parties, or that the intellectual property rights of others will not have a material adverse effect on the ability of the Company to do business. Furthermore, there can be no assurance that others will not independently develop products similar to those developed by the Company or duplicate any of the Company's products. The Company may be required to obtain licenses for proprietary rights of third parties. No assurance can be given that any licenses required will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market or could find that the development, manufacture or sale of products requiring such licenses could be precluded. In addition, the Company could incur substantial time, effort and/or costs in policing unauthorized use of its intellectual property and/or in defending itself in suits brought against it or in suits in which the Company attempts to enforce its own intellectual property rights against other parties.

(h) Currency Risk

A substantial portion of the Company's revenues are now, and are expected to continue to be, realized in United States dollars. Fluctuations in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on the Company's results of operations. In particular, the Company may be adversely affected by a strengthening of the Canadian dollar against the United States dollar if revenues in United States dollars exceed expenses incurred in United States dollars. The Company may also be adversely affected by a weakening of the Canadian dollar against the United States dollar if the expenses incurred exceed revenue incurred in United States dollars.

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17. Risk factors (continued):

(i) Product Liability and Insurance

The sale and use of the Company's products or its products under development may entail risk of product liability. Although the Company considers that it currently has adequate insurance coverage for any product liability claim, as the Company expands and introduces new products there can be no assurance that it will be able to obtain appropriate levels of product liability insurance prior to any use of its products. An inability to obtain insurance on commercially reasonable terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by the Company or expose the Company to significant product liability risks. The obligation to pay any product liability claim or a recall of a product could have a material adverse effect on the business, financial condition, operating results or prospects of the Company.

(j) Dependence on Key Personnel

The Company's ability to develop, manufacture and market its products and compete with current and future competitors depends, to a great extent, on its ability to attract and retain highly qualified personnel (and attract new personnel where required). Competition for such personnel and relationships is intense and the Company must compete in this regard with companies that have substantially greater financial and other resources than it does. The Company is highly dependent on the principal members of its management and research and development staff ("Key Personnel") and, in particular, Mr. Andrew Cheung, its Chief Executive Officer. The loss of Mr. Cheung's services could have the effect of materially impeding the achievement of development objectives. The persons working with the Company are affected by a number of influences outside of the control of the Company. The failure to attract and retain qualified personnel or the loss of the services of one or more Key Personnel could have a material adverse effect on the Company's business, operating results or financial condition.

(k) Public Market and Volatility of Share Price

Factors such as announcements of technological innovation or the introduction of new products by the Company or its competitors, actual or anticipated fluctuations in the Company's operating results, changes in estimates of the Company's future operating results by securities analysts or developments with respect to proprietary rights may have a significant impact on the market price of the Common Shares. In addition, the stock market has experienced volatility which has particularly affected the market prices of equity securities of many high technology companies and which often has been unrelated to the operating performance of such companies. These market fluctuations may materially adversely affect the market price of the Common Shares.

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17. Risk factors (continued):

(l) Distribution Agreements

The Company's distribution and licensing agreements contain various provisions for termination and/or renewal, some of which provide for termination without cause and on short notice. Such provisions are not uncommon in the industry and the Company anticipates that it will continue to enter into such agreements. Some of the Company's distribution arrangements are also not embodied in written agreements.

(m) The Trend towards Industry Consolidation

Consolidation in the software industry continues to occur, with competing companies merging or acquiring other companies in order to capture market share or expand product lines. As this consolidation occurs, the nature of the market may change as a result of fewer players dominating particular markets, potentially providing customers with fewer choices. Also, some of these companies offer a broader range of products than the Company, and the Company may not be able to compete effectively against these competitors. Any of these changes may have a significant adverse effect on the future revenues and operating results of the Company.

(n) Potential Fluctuations in Quarterly Financial Results

The Company's quarterly financial results could be impacted significantly by the timing of substantial orders and shipments as well as new releases of its products and intellectual property agreements. The Company's operating expenses are based on anticipated revenue levels in the short term, are relatively fixed and are incurred throughout the quarter. Additionally, the Company's products may be subject to long sales cycles. As a result, if expected revenues are not realized as anticipated, the Company's quarterly financial results could be materially adversely affected. Quarterly financial results in the future may be influenced by these or other factors, including possible delays in the shipment of new products and entering into or failing to enter into or renew a material contract or order. Accordingly, there may be significant variations in the Company's quarterly financial results and such results may not meet the expectations of analysts or investors. If this occurs, the price of the Common Shares may decline. See also "Distribution Agreements", "Volatility of Share Price".

(o) Control of Shares by Principal Shareholder

Andrew Cheung, the President and Chief Executive Officer of the Company and the principal shareholder of the Company, maintains effective control of the Company through control and/or ownership of, in the aggregate, approximately 12% of the outstanding Common Shares. As a result, Mr. Cheung could exercise significant influence over all matters

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17. Risk factors (continued):

requiring shareholder approval, including the ability to elect directors and approve fundamental changes to the Company. Such concentration of ownership may have the effect of delaying or preventing a change in control of the Company, its Board or management.

18. Disclosure controls and internal controls over financial reporting:

In the course of evaluating its internal controls over financial reporting as at October 31, 2019, management has identified the following material weakness:

There is limited segregation of duties which could result in a material misstatement in the Company's consolidated interim or annual financial statements. Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. This deficiency, which is pervasive in impact, did not result in a material misstatement to the consolidated financial statements. The Company relies on certain mitigating controls, including periodic substantive review of the consolidated financial statements by the Chief Executive Officer, Audit Committee and Board of Directors; however, these mitigating controls do not eliminate the existence of the material weakness.

As at October 31, 2019 the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures and internal control over financial reporting. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal control over financial reporting are ineffective as a result of the material weakness in internal control over financial reporting described above.

There have been no significant changes to the Company's internal control environment during the year ended October 31, 2019 that would have materially affected the Company's internal controls over financial reporting.

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19. Disclosure of outstanding share data:

The Company's share capital consists of the following:

Authorized:

50,000 Series A preference shares

Unlimited preference shares, issuable in series

Unlimited common shares

Issued:

80,235,472 common shares

6,235,000 stock options outstanding convertible into common shares at exercise prices ranging from \$0.05 to \$0.10. The options expire between September 12, 2020 and September 30, 2023.

7,805,748 share purchase warrants details as follows:

1. 5,000,000 share purchase warrants. Each whole warrant entitles the holder to acquire one common share for \$0.15 at any time prior to September 18, 2020.
2. 1,820,832 share purchase warrants. Each whole warrant entitles the holder to acquire one common share for \$0.15 at any time prior to July 29, 2021
3. 800,000 Debenture Warrants outstanding convertible into common shares at an exercise price of \$0.10. The Debenture Warrants expire on April 24, 2020.
4. 184,916 compensation warrants. Each whole warrant entitle the holder to purchase one common share for each one compensation warrant at a price of \$0.15 at any time prior to July 29, 2021.

800,000 compensation options details as follows:

1. 800,000 agent compensation options which entitle the agent to purchase one unit for each one compensation option at a price of \$0.10 per unit at any time prior to September 18, 2020. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the agent to acquire one common share at a price of \$0.15 at any time prior to September 18, 2020.

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20. Quarterly results of operations:

The following tables sets forth certain information from the unaudited consolidated statements of operation for the eight most recent quarters of operations ended October 31, 2019 as prepared in accordance with IFRS.

<i>for the 3 months ending</i>	<i>31-Oct-19</i>	<i>31-Jul-19</i>	<i>30-Apr-19</i>	<i>31-Jan-19</i>
Revenue	\$ 80,832	\$ 77,555	\$ 74,685	\$ 50,035
Expenses (income):				
Selling, general and administrative	158,532	122,520	151,137	130,013
Research and development	104,968	99,862	94,930	84,249
	263,499	222,381	246,066	214,261
Loss before accretion on liability component of debenture, interest, other income and taxes	\$ (182,667)	\$ (144,826)	\$ (171,381)	\$ (164,226)
Interest on debenture	15,000	15,000	15,000	15,000
Accretion on liability portion of debenture	4,320	4,114	4,762	4,535
Loss before other income and taxes	(201,987)	(163,940)	(191,143)	(183,761)
Foreign exchange gain	-	-	-	-
Interest income	5,006	2,184	1,913	797
Reversal of accrued liability	441,809	-	-	-
Profit (loss) before taxes	244,828	(161,756)	(189,230)	(182,964)
Withholding taxes	6,334	7,143	6,813	4,345
Profit (loss) for the period and comprehensive profit (loss)	\$ 238,494	\$ (168,899)	\$ (196,043)	\$ (187,309)

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20. Quarterly results of operations (continued):

<i>for the 3 months ending</i>	<i>31-Oct-18</i>	<i>31-Jul-18</i>	<i>30-Apr-18</i>	<i>31-Jan-18</i>
Revenue	\$ 48,875	\$ 45,439	\$ 73,809	\$ 34,844
Expenses (income):				
Selling, general and administrative	138,466	77,893	55,566	34,475
Research and development	122,379	23,580	35,168	23,774
	260,845	101,473	90,734	58,249
Loss before accretion on liability component of debenture, interest, other income and taxes	\$ (211,970)	\$ (56,034)	\$ (16,925)	\$ (23,405)
Interest on debenture	15,000	15,000	10,295	10,000
Accretion on liability portion of debenture	4,319	4,114	3,735	4,685
Profit (loss) before other income and taxes	(231,289)	(75,148)	(30,955)	(41,825)
Foreign exchange gain	5,069	-	-	-
Interest income	1,169	23	10	8
Profit (loss) before taxes	(225,051)	(75,125)	(30,945)	(38,090)
Withholding taxes	4,044	3,823	7,834	2,720
Profit (loss) for the period and comprehensive profit (loss)	\$ (229,095)	\$ (78,948)	\$ (38,779)	\$ (40,802)

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CORPORATE INFORMATION

DIRECTORS

Andrew Cheung
President & CEO

William A. Train
Chairman
Private investor

Joanna Ng
AI Technologist & Startup
Entrepreneur

Gary Kissack
Lawyer, Fogler, Rubinoff LLP

Jane Yang
DLT Strategy Advisor

OFFICERS

Andrew Cheung
President & CEO

Brian Stringer
Chief Financial Officer

Gigi Loo
Controller & Corporate Secretary

INVESTOR RELATIONS

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Trading Symbol "ONE"