Condensed interim consolidated financial statements of

Uniserve Communications Corporation

For the nine months ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

Uniserve Communications Corporation

Nine months ended February 28, 2018 and 2017

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NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, Dale Matheson Carr-Hilton Labonte LLP, have not performed a review of these financial statements.

signed "Hashim Mitha"

Hashim Mitha
President and COO

signed "Iain Gordon"

Iain Gordon
Chief Financial Officer

April 27, 2018

Uniserve Communications Corporation

Consolidated statements of income (loss) and comprehensive income (loss)

(Expressed in Canadian dollars)

	Note	**Three months ended February 28,**		**Nine months ended February 28,**	
		2018	2017	**2018**	2017
		$	$	**$**	$
Revenue		**2,931,004**	2,208,138	**7,189,251**	5,638,938
Cost of revenues		**1,239,594**	1,325,702	**3,726,718**	3,186,674
		1,691,410	882,436	**3,462,533**	2,452,264
Expenses					
Operations and service delivery expenses	15	**1,625,772**	587,948	**4,215,398**	1,923,940
Sales and marketing	15	**170,718**	87,171	**495,432**	271,500
Amortization of property and equipment	6a	**148,151**	92,495	**410,971**	242,643
		1,944,641	767,614	**5,121,801**	2,438,083
Operating profit/(loss)		**(253,231)**	114,822	**(1,659,268)**	14,181
Other expenses (income)					
Finance charges	8,9,10	**51,438**	67,276	**178,153**	374,189
Foreign exchange		**(39,642)**	10,026	**(15,444)**	18,850
Gain on settlements and reversals of debts	9,10	**-**	(326,296)	**(255,330)**	(326,294)
Gain on disposal of property and equipment		**-**	(2,397)	**-**	(2,397)
Dividend received		**(1,528,189)**	-	**(1,528,189)**	-
Impairment of investment		**943,736**	-	**943,736**	-
Impairment of property and equipment		**399,497**	-	**399,497**	-
		(173,160)	(251,391)	**(277,577)**	64,348
Net income (loss) and comprehensive inome (loss)		**(80,071)**	366,213	**(1,381,691)**	(50,167)
Basic and diluted income /(loss) per share		**$ (0.01)**	**$ 0.01**	**$ (0.03)**	**$ (0.01)**
Weighted average number of common shares outstanding - basic and diluted*		**41,431,203**	44,440,625	**41,431,203**	44,440,625

* - In case of a loss, the diluted EPS will be anti-dilutive, therefore the basic and diluted EPS will be the same

* The weighted average number of common shares outstanding used in the calculation of loss per common share retroactively reflects the 2.5:1 share consolidation that the Company effect subsequent to year end (Note 17).

See accompanying notes

Uniserve Communications Corporation

Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	**February 28, 2018**	May 31, 2017
		$	$
Assets			
Current assets			
Cash		**104,797**	867,753
Trade and other receivables	14a	**1,719,010**	459,150
Inventories		**8,084**	25,383
Prepaid expenses		**203,529**	184,490
		2,035,420	1,536,776
Non Current Assets			
Property and equipment	6a	**1,133,621**	782,720
Investment	6b	**35,000**	-
Intangible assets	6c	**1,395,498**	-
		2,564,119	782,720
		4,599,539	2,319,496
Liabilities and shareholders' deficit			
Current Liabilities			
Trade payables and accrued liabilities		**2,388,432**	1,208,613
Accrued dividends payable on preferred shares	10	**39,253**	109,560
Convertible debenture	9	**-**	386,351
Convertible preferred shares	10	**64,000**	198,000
Deferred revenue		**148,422**	134,929
Deferred rent - current portion		**5,971**	-
Finance lease obligations - current portion	12	**27,813**	51,114
Interest payable on promissory notes	10	**40,526**	67,581
Lease inducement - current portion	7a	**20,000**	4,054
Loans payable - current Portion	8	**1,816,918**	629,294
Promissory notes payable - current portion	10	**682,746**	831,609
		5,234,081	3,621,105
Long-Term Liabilities			
Lease Inducement		**11,667**	-
Deferred rent		**19,902**	-
Finance lease obligations	12	**5,163**	7,565
Loans payable	8	**258,080**	711,457
		5,528,893	4,340,127
Shareholders' deficit			
Issued capital	11	**22,151,505**	19,026,096
Equity reserves	11e	**4,984,843**	5,637,285
Deficit		**(28,065,702)**	(26,684,012)
		(929,354)	(2,020,631)
		4,599,539	2,319,496

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Approved on behalf of the Board:

Signed "Hashim Mitha"	Signed by "Iain Gordon"
Director	Chief Financial Officer

See accompanying notes

Uniserve Communications Corporation

Consolidated statements of cash flows

(Expressed in Canadian dollars)

		Nine months ended	
	Note	**February 28, 2018**	February 28, 2017
		$	$
Operating activities			
Net income (loss)		**(1,381,690)**	(50,165)
Items not involving cash			
Amortization of lease inducement		**27,613**	(36,487)
Amortization of property and equipment		**410,971**	242,643
Impairment of property and equipment		**(399,497)**	-
Dividend received		**1,528,189**	-
Gain on settlement of preferred shares		**(67,000)**	(73,500)
Gain on settlement of promissory notes		**(106,129)**	(252,796)
Gain on disposal of property and equipment		**-**	(2,395)
Non-cash interest expense		**118,404**	148,554
Net Changes in Working Capital and other items	16	**(139,777)**	(598,059)
Net cash used in operating activities		**(8,807)**	(622,205)
Investing activities			
Purchase of property and equipment		**(663,856)**	(476,642)
Purchase of intangible assets		**(1,395,498)**	-
Cash payments for acquisitions		**(943,736)**	-
Net cash used in investing activities		**(3,003,090)**	(476,642)
Financing activities			
Net proceeds from issuance of common shares		**2,135,725**	2,024,200
Proceeds from issuance of shares for repayment of debt		**418,000**	176,165
Proceeds on disposal of property and equipment		**-**	8,500
Repayment of finance lease obligations		**(107,809)**	(68,141)
Repayment of promissory notes		**(130,084)**	(525,258)
Repayment of preferred shares		**(67,000)**	(37,000)
Net cash provided by financing activities		**2,248,941**	1,578,466
Change in cash		**(762,956)**	479,619
Cash at beginning of period		**867,753**	49,315
Cash at end of period		**104,797**	528,934

See accompanying notes

Uniserve Communications Corporation

Consolidated statement of changes in shareholders' deficit

(Expressed in Canadian dollars)

	Note	Issued capital		Equity		
		Shares	Amount	Reserves	Deficit	Total
			$	$	$	
Balance, May 31, 2016		**37,430,385**	**17,460,401**	**4,894,721**	**(26,881,090)**	**(4,525,968)**
Issuance of share capital for cash		36,814,000	1,969,200	-	-	1,969,200
Issuance of share capital for debt		950,000	55,000	-	-	-
Issuance of share purchase warrants		-	(1,053,500)	1,053,500	-	-
Settlement of promissory notes		-	-	(10,368)	-	-
Net loss and comprehensive loss		-	-	-	(50,167)	(50,167)
Balance, February 28, 2017		**75,194,385**	**18,431,101**	**5,937,853**	**(26,931,257)**	**(2,562,303)**
Issuance of share capital for cash	10b	7,754,000	663,600	-	-	663,600
Issuance of share purchase warrants	10b	-	(305,500)	305,500	-	-
Share issuance costs		-	(55,800)	49,000	-	(6,800)
Settlement of promissory notes	9	-	-	(482,566)	125,730	(356,836)
Exercise of share purchase warrants		-	292,695	(292,695)	-	-
Warrants issued for modification of loan	7	-	-	40,069	-	40,069
Modification of convertible debenture	8	-	-	80,124	-	80,124
Net loss and comprehensive loss		-	-	-	121,515	121,515
Balance, May 31, 2017		**82,948,385**	**19,026,096**	**5,637,285**	**(26,684,012)**	**(2,020,631)**
Issuance of share capital for cash	10b	7,040,000	750,600	-	-	750,600
Issuance of share capital for share exchange		2,148,450	730,473	(730,473)	-	-
Issuance of share capital for debts		2,786,667	418,000	-	-	418,000
Issuance of share capital (warrants excercised)		8,921,292	1,385,125			1,385,125
Consolidation of 2.5 shares to 1 share		(53,927,148)	-	-	-	-
Issuance of share purchase warrants	10b	-	(223,620)	223,620	-	-
Exercise of share purchase warrants		-	64,831	(64,831)	-	-
Warrants issued for modification of loan	7	-	-	(53,984)	-	(53,984)
Modification of convertible debenture	8	-	-	(26,774)	-	(26,774)
Net loss and comprehensive loss		-	-	-	(1,381,691)	(1,381,691)
Balance, February 28, 2018		**49,917,646**	**22,151,505**	**4,984,843**	**(28,065,703)**	**(929,355)**

See accompanying notes

1. Nature of Operations and Going Concern

Uniserve Communications Corporation ("the Company") was incorporated on January 19, 1988 under the Company Act of British Columbia. The Company's principal business activity is the provision of Internet access and telecommunications services primarily in B.C. and Alberta, which represents a single operating segment. The Company also offers commercial physical security services in Alberta.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol USS. The Company's head office is located at Suite 330 – 333 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C1.

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. For the nine months ended February 28, 2018 the Company had a net loss of $1,381,691 (2017 –$50,167). As at February 28, 2018, the Company had a working capital deficiency of $3,198,661 (May 31, 2017: $2,084,329).

The Company's ability to continue as a going concern is dependent in part upon the Company's ability to generate sufficient cash flow from operations and to obtain additional equity or debt financing in the near term to continue to meet its obligations as they come due.

The Company has taken steps to assist it in meeting its financial obligations, including raising capital through private placements, evaluating the Company's workforce, and restructuring its debts. The Company continues to pursue new financing activities that will allow it to focus on new business initiatives.

The Company's ability to meet its financial obligations depends on a number of factors, some of which are beyond its control. These include general global economic, credit and capital market conditions, and the demand for and selling price of its products. There is no assurance that the expected cash flows from operations and the other steps being taken will allow the Company to meet its obligations as they become due.

Current weak global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise its ability to obtain suitable financing. The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so.

The Company's existing financial obligations will constrain its capital spending and that may have an adverse effect on its operations. The Company's debt levels will also limit its ability to expand its operations or make other investments that would enhance its competitiveness.

Accordingly, there is risk that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to sell core assets or raise debt or equity capital. Management believes this would enable it to satisfy its obligations as they become due. However, these actions may have a material adverse effect on the Company's business and on the market prices of its equity securities.

If the Company is unable to generate positive cash flows or obtain adequate financing, the Company will need to further slow operations. The existence of a material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which could differ significantly from the going concern basis.

2. Business Combination Note

On June 16, 2017, the Company acquired 61.3% of Glenbriar Technologies Inc. ("Glenbriar"), a managed services company trading on the Canadian Securities Exchange (CSE:GTI), resulting in the Company obtaining control of Glenbriar. On October 20, 2017, the Company exchanged 2,148,450 Uniserve shares for an additional 26,855,804 Glenbriar shares. After this transaction, the Company owns 82.2% of issued and outstanding shares of Glenbriar. The company sold all the shares of Glenbriar in the month of February 2018. The Company has bought the Glenbriar business, assets and liabilities including the customers list.

3. Statement of Compliance

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Financial statement preparation, in accordance with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where significant assumptions and estimates are made, are disclosed in Note 4.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the Company’s annual audited financial statements; thus, these interim financial statements are referred to as condensed and should be read in conjunction with the Company’s audited financial statements for the year ended May 31, 2017 which were prepared in accordance with IFRS.

4. Significant Accounting Policies

These condensed interim consolidated financial statements were prepared using the same IFRS accounting policies and methods as those used in the Company’s 2017 financial statements for the year ended May 31, 2017. These condensed interim consolidated financial statements comply with IAS 34 as required under Part 3 of National Instrument 52-107.

5. Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not effective for nine months ended February 28, 2018, and therefore have not been applied in preparing these financial statements. Standards issued but not yet effective, and which the Company believes are relevant to its operations, up to the date of issuance of the Company’s financial statements are listed below:

(a) IFRS 9 - Financial instruments

In November 2009, the IASB issued IFRS 9, Financial instruments (“IFRS 9”) as a first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity’s business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in Other Comprehensive Income, rather than within Profit or Loss. The standard must be applied retrospectively. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company is still working to understand the impact on the classification and measurement of financial assets.

(b) IFRS 15 – Revenue from Contracts with Customers

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its financial statements.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

(c) *IFRS 16 - Leases*

Under IFRS 16, a single accounting model is introduced for leases, where all leases will require an asset and liability to be recognized on the balance sheet, when a lessee controls the right to use an identified asset through exclusive use of the asset for a period of time. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15. The Company has not adopted these standards yet, and believes it will have minimal impact on its financial statements.

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

6. Non-current assets

a. Property and equipment

	Equipment ($)	Software ($)	Leasehold Improvements ($)	Total ($)
Cost				
Balance May 31, 2016	**7,396,156**	**826,060**	**247,446**	**8,469,662**
Depreciation Charge	142,427	16,612	8,972	168,011
Disposals	(34,270)	-	-	(34,270)
Balance May 31, 2017	**7,504,313**	**842,672**	**256,418**	**8,603,403**
Additions	526,257	104,540	33,059	663,856
Additions arising from bussiness acquisition	1,107,106	294,167	-	1,401,273
Impairment of Property and Equipment	(262,219)	(137,278)	-	(399,497)
Balance February 28, 2017	**8,875,457**	**1,104,101**	**289,477**	**10,269,035**
Accumulated Depreciation				
Balance May 31, 2016	**6,485,403**	**811,566**	**220,278**	**7,517,247**
Depreciation Charge	291,899	7,797	31,908	331,604
Disposals	(28,167)	-	-	(28,167)
Balance May 31, 2017	**6,749,135**	**819,363**	**252,186**	**7,820,684**
Depreciation Charge	333,537	67,916	9,518	410,971
Depreciation arising from bussiness acquisition	786,093	117,667	-	903,760
Balance February 28, 2017	**7,868,765**	**1,004,946**	**261,704**	**9,135,415**
Net Book Value				
Balance May 31, 2017	**755,178**	**23,310**	**4,232**	**782,720**
Balance February 28, 2017	**1,006,693**	**99,155**	**27,773**	**1,133,621**

The cost of property under capital leases, (equipment and software) aggregated $220,310 as at February 28, 2018 (May 2017 - $268,600). Details of capital lease obligations are outlined in Note 11.

b. Investment

On June 12, 2017, the Company invested $35,000 to Xanity Cloud Solutions, the investment was acquired at fair market value.

On June 16, 2017 The Company invested in Glenbriar Technologies Inc. "Glenbriar" a leading managed services company, The Company invested $800,000 for 61.3% ownership. In preparing the consolidated financial statements, the investment of $800,000 was eliminated. On October 12, 2017 the Company exchanged 2,148,450 shares of 26,855,804 Glenbriar Shares held by the directors of Glenbriar. Since then, Uniserve has held 82.2% ownership of Glenbriar.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

The company sold all the shares of the Glenbriar in the month of February 2018.

c. Intangible assets

The Company have bought the Glenbriar business, assets and liabilities at the price of $1,782,492 including the customers list with estimated valued at $1,395,498 based on predicted future cash flow which classified as intangible assets.

d. Goodwill

Goodwill on acquisition of subsidiaries Glenbriar Technologies Inc. was calculated at $483,227 which represented the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

During the nine months ended Februarys 28, 2018, the goodwill and the investment have been adjusted and fully impaired.

7. Related party transactions

Key management compensation:

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's executive team. Key management personnel compensation for the nine months ended February 28, 2018 including short-term benefits totaled $538,134 (2017 - $244,300).

Transactions with related parties:

(a) Operating Lease – Vancouver Office Rent

For the nine months ended February 28, 2018, the Company recognized rent expenses of $144,862 (2017 - $112,500) related to this agreement. The Company also recognized an additional $26,668 (2017 - $20,319) to rent expense for parking fees.

Lease inducement of $12,387 (2017 - $36,487) was recognized as a reduction to rent expense. As of February 28, 2018, $31,667 of the lease inducement remains.

(b) Operating Lease – Vancouver Data Centre

For the nine months ended February 28, 2018, the Company recognized $123,300 (2017 - $116,237) to cost of sales and operating expenses related to this agreement.

(c) Loans Payable

The Company has various loans payable to related parties. Amounts outstanding in connection with these loans are as follows:

	November 30, 2017	May 31, 2017
	$	$
Loan amounts owed to a company controlled by a director and significant shareholder	**560,000**	977,875
	560,000	977,875

Further details on these loans are disclosed in Note 8.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

Included within interest expense are the following amounts paid (or accrued) to related parties in connection with the various related party loans:

	February 28, 2018	February 28, 2017
	$	$
Interest paid or accrued to a company controlled by a director and significant shareholder	**61,508**	70,897
Interest paid or accrued to other directors	**-**	4,808
	61,509	75,705

(d) Revenues

Included in revenue for the year nine months ended February 28, 2018 are sales totaling $237,980 (2017 - $250,962) in hardware and other services sold to companies controlled by various directors of the Company.

8. Loans payable

Loans payable are comprised of the following:

	Note	February 28, 2018	May 31, 2017
		$	$
Term loan with related party	a	**-**	71,875
Term loan with related party	b	**-**	100,000
Demand loan with related party	c	**-**	306,000
Equipment loan - current	d	**133,475**	129,294
Equipment loan - long term	d	**187,011**	287,565
Term loan with related party - current	e	**-**	500,000
Demand loan with related party	f	**500,000**	-
Finance loan - current	g	**23,442**	-
Loan from officers of the subsidiary -long term	h	**71,069**	
Term loan	i	**700,000**	-
Term loan with related party	j	**60,000**	
Demand loan	k	**150,000**	-
Demand loan	l	**100,000**	-
Demand loan	m	**150,000**	
Unamortized discount from issuance of warrants	a, c, e	**-**	(53,983)
Total Loans		**2,074,998**	1,340,751

Related party transactions: $560,000 (May 31, 2017 - $977,875) of total loans are due to related parties (see Note 7 (c)) $4,249 of interest payable on loans is included in trade payables and accrued liabilities.

(a) During the nine months ended February 28, 2018, the Company paid $1,437 in interest (2017 – 10,400).The loan was fully repaid in September 29, 2017. The unamortized discount from issuance of warrants was reversed.

(b) During the nine months ended February 28, 2018, the Company paid $2,000 in interest (2017 – 6,000). The loan was fully repaid in September 29, 2017. The unamortized discount from issuance of warrants was reversed.

(c) During the nine months ended February 28, 2018, the Company paid $8,160 in interest (2017 – 10,400). The loan was fully repaid in September 29, 2017. The unamortized discount from issuance of warrants was reversed.

(d) On June 15, 2015, the Company financed asset purchases related to its data center for $750,000, with $100,000 paid as a down payment to a related party, and the Company assuming a commercial loan for the remaining $650,000. The loan carries an annual interest rate of 4.22% amortized over 5 years, with monthly payments of $12,034.

During the nine months ended February 28, 2018, the Company paid $11,993 in interest (2017 - $15,908), and accrued an additional $7,050 (2017 - $7,050) of interest payable to a related party, in consideration for the end-of-term payment for providing the loan facility.

(e) The Loan was advanced from the related party on January 27, 2017 and was fully paid on Jun 1, 2017, during the nine months ended February 28, 2017, the Company accrued $Nil in interest (2017 - Nil)..

(f) On July 4, 2017, the Company borrowed $500,000 from a related company controlled by a director and significant party, the loan bears interest at a rate of 10% per annum and is repayable on demand.

During the nine months ended February 28, 2018, the Company accrued $32,877 in interest (2017 - Nil).

(g) The finance loans related to the purchase of office operating system of the subsidiary company, the financing loans are non-interest bearing. The final payments are due on December 1, 2018 and February 1, 2019.

(h) The loans consisted of net advances from the officers of the subsidiary, secured by a general security agreement which bears interest at a rate of 5% per annum.

(i) On September 29, 2017, the Company with a director jointly borrowed $700,000 from a third party company, the loan bears interest at a rate of 3.5% per annum. The loan is due on September 30, 2018.

During the nine months ended February 28, 2018, the Company accrued $10,068 in interest (2017 - Nil).

(j) On October 3, 2017, the Company borrowed $60,000 from a related company controlled by a director and significant party, the loan bears interest at a rate of 9% per annum and is payable on demand.

During the nine months ended February 28, 2018, the Company accrued $2,190 in interest (2017 - Nil).

(k) On November 1, 2017, the Company borrowed $150,000 from a third party company, the loan bears interest at a rate of 6% per annum and is payable on demand.

During the nine months ended February 28, 2018, the Company accrued $2,934 in interest (2017 - Nil).

(l) On November 24, 2017, the Company borrowed $100,000 from a third party company, the loan bears interest at a rate of 6% per annum and is payable on demand.

During the nine months ended February 28, 2018, the Company accrued $1,578 in interest (2017 - Nil).

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

(m) On December 28, 2017, the Company borrowed $150,000 from a third party company, the loan bears interest at a rate of 6% per annum and is payable on demand.

During the nine months ended February 28, 2018, the Company accrued $1,529 in interest (2017 - Nil).

9. Convertible debentures

Convertible debentures are comprised as follows:

	Note	**February 28, 2018**	May 31, 2017
		$	$
Convertible debenture	a	-	105,000
Convertible debenture	b	-	120,000
Convertible debenture - related party	c	-	188,125
Unamortized discount from amendment of conversion price		-	(26,774)
Total convertible debentures		-	386,351

(a) On September 25, 2017, 700,000 common shares were issued at the deemed price of $0.15 per shares valued $105,000 to repay the convertible debenture fully, the unamortized discount from amendment of conversion price was reversed.

(b) On September 25, 2017, 800,000 common shares were issued at the deemed price of $0.15 per shares valued $120,000 to repay the convertible debenture fully, the unamortized discount from amendment of conversion price was reversed.

(c) On September 25, 2017, 1.286,667 common shares were issued at the deemed price of $0.15 per shares valued $193,000 to repay fully to the convertible debenture from a related company controlled by a director and significant party and interest outstanding, the unamortized discount from amendment of conversion price was reversed. .

10. Convertible Preferred Shares and Promissory Notes

As of February 28, 2018, the Company has the following liabilities related to the Preferred Shares and Promissory Notes:

- Preferred Shares: $64,000 (May 31, 2017: $198,000)
- Dividends on Preferred Shares in arrears: $39,253 (May 31, 2017: $109,560)
- Promissory Notes: $682.746 (May 31, 2017: $831,609)
- Interest payable on Notes: $40,526 (May 31, 2017: $67,581)

11. Share Capital

(a) *Authorized and issued share capital*

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of Series A Convertible Preferred Shares. As at February 28, 2018, there are 49,917,646 common shares outstanding (May 31, 2017 – 37,430,385) and 6,400 preferred shares outstanding (May 31, 2017 – 27,300).

(b) *Common share issuances*

Year Ended May 31, 2017

On June 10, 2016, the Company issued 12,353,000 common share units comprising 12,353,000 common shares, at $0.06 per share, and 12,353,000 transferable share purchase warrants exercisable for a period of two years from the date of issue at $0.10 per share. The value assigned to the warrants of $316,299 was determined using the Black Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.69%; annual dividends – nil; expected life – 24 months; expected stock price volatility – 152%. $456,100 of the funds were received as at May 31, 2016 and included in the subscriptions received.

On December 2, 2016, the Company issued 6,500,000 common share units comprising 6,500,000 common shares, at $0.07 per share, and 6,500,000 transferable share purchase warrants exercisable for a period of two years from the date of issue at $0.10 per share. The value assigned to the warrants of $205,908 was determined using the Black Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.61%; annual dividends – nil; expected life – 24 months; expected stock price volatility – 135%.

On December 9, 2016, a related party exercised 360,000 share purchase warrants for 360,000 common shares at $0.10 per share.

Between March 1, 2017 and May 31, 2017, 5,130,000 share purchase warrants were exercised for 5,130,000 common shares of the Company at $0.10 per share.

Nine months ended February 28, 2018:

On June 1, 2017, the Company consolidated its common shares on a 2.5 to 1 basis. This share consolidation was amended to include the private placement disclosed in note below. Loss per share has been adjusted to retroactively reflect the share consolidation

On June 28, 2017, the Company completed a private placement of 6,000,000 units (2,400,000 units on a post-consolidation basis) at $0.10 per unit for gross proceeds of $600,000. The units consist of one common share and one transferable share purchase warrant exercisable at $0.10 per share during year one and $0.11 per share in year two for a period of two years from issuance. The value assigned to the warrants of $223,620 was determined using the Black Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.76%; annual dividends – nil; expected life – 24 months; expected stock price volatility – 99%

Between June 1, 2017 and February 28, 2017, 8,921,992 share purchase warrants (consolidated) were exercised for 8,921,292 common shares of the Company, in an amount of $1,385,125 at different prices are as indicated in the note 11c below. On October 25, 2017, the private placement of 1,004,000 common shares at $0.15 each.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

(c) *Share purchase warrants*

The changes in warrants outstanding during the nine months ended February 28, 2018 and the year ended May 31, 2017 are as follows:

		Original Number of Warrants	After Jun 1, 2017 consoldiadtion of common shares	Weighted Average Exercise Price based on post
				$
May 31, 2016	**Outstanding Balance**	**15,863,000**	6,345,200	**0.25**
June 2016	Exercised	(1,600,000)	(640,000)	0.25
January 2017	Issuance	36,253,500	14,501,400	0.125
February 2017	Issuance	4,000,000	1,600,000	0.125
February 2017	Exercised	(300,000)	(120,000)	0.175
February 2017	Exercised	(1,000,000)	(400,000)	0.25
March 2017	Exercised	(2,000,000)	(800,000)	0.175
March 2017	Exercised	(1,300,000)	(520,000)	0.25
April 2017	Exercised	(1,450,000)	(580,000)	0.175
April 2017	Exercised	(1,475,000)	(590,000)	0.25
May 2017	Exercised	(100,000)	(40,000)	0.175
May 2017	Exercised	(1,293,000)	(517,200)	0.25
May 31, 2017	**Outstanding Balance**	45,598,500	18,239,400	0.170
June 2017	Exercised	(930,000)	(372,000)	0.25
June 2017	Issuance	6,000,000	2,400,000	0.275
July 2017	Exercised	(1,100,000)	(440,000)	0.125
August 2017	Exercised	(200,000)	(80,000)	0.175
August 2017	Exercised	(125,000)	(50,000)	0.125
September 2017	Exercised	(1,625,000)	(650,000)	0.125
September 2017	Exercised	(1,640,000)	(656,000)	0.375
September 2017	Exercised	(125,000)	(50,000)	0.150
October 2017	Exercised	(100,000)	(40,000)	0.125
November 2017	Exercised	(3,282,500)	(1,313,000)	0.125
November 2017	Exercised	(156,250)	(62,500)	0.250
December 2017	Exercised	(1,535,000)	(614,000)	0.160
January 2018	Exercised	(9,600,000)	(3,840,000)	0.147
February 2018	Exercised	(307,500)	(123,000)	0.199
February 28, 2018	**Outstanding Balance**	30,872,250	12,348,900	0.185

(d) *Share purchase options*

As of February 28, 2018, the Company has no outstanding share purchase options.

(e) *Equity reserves*

Conversion rights on Preferred Shares

This reserve records the equity component of the convertible Preferred Shares which has both liability and equity components. On conversion, the amount recorded is transferred to share capital. On redemption or settlement, the amount is transferred to the deficit.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

Conversion rights on Promissory Notes

This reserve records the equity component of the Promissory Notes which has both liability and equity components. On conversion, the amount recorded is transferred to share capital. On redemption or settlement, the amount is transferred to the deficit.

Share-based compensation and warrants:

The reserve records items recognized as stock-based compensation expense, other share-based payments and amounts allocated to warrants on unit private placements until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

12. Commitments and Contingencies

(a) The Company leases office space and equipment under non-cancelable operating leases expiring in various years through 2018 and also leases computer hardware and software under non-cancelable finance leases.

Finance Lease Obligations

	February 28, 2018	May 31, 2017
	$	**$**
Year ended May 31, 2017	**-**	-
Year ended May 31, 2018	**31,557**	59,216
Year ended May 31, 2019	**5,432**	8,795
Total minimum Lease payments	**36,989**	68,011
Less: amount representing Interest	**(2,509)**	(4,317)
Less: amount representing Taxes and Fees	**(1,506)**	(5,015)
Present value of minimum Lease payments	**32,974**	58,679
Less: Current portion of Finance Lease obligations	**(27,813)**	(5,114)
Non-current portion of Finance Lease obligations	**5,161**	3,095

Operating Lease Commitments

The operating lease commitments relate to the Company's Vancouver office, as well as its Vancouver data centre facility. All commitments with related parties are outlined in Note 7.

(b) The Company's outstanding loans, debentures, and promissory notes are disclosed in notes 7, 8, and 9 respectively.

(c) The Company, in the normal course of business, is a party to various claims and lawsuits. The Company's accounting policy is to include the estimated net cost of disposition of known claims and lawsuits in its financial statements where it is possible to make such estimates.

The Company is also subject to a wrongful dismissal lawsuit by a former corporate officer of the Company. The notice of claim sets out the relief sought by the Plaintiff but does not specify any specific dollar amount associated with the claim. The Company has provided all final payments owing as per the BC Employment Standards Code and believes there is no further obligation in connection with this claim and considers it unlikely that it will need to make any payment in connection with this claim. Accordingly, no provision is recorded in these financial statements.

In the opinion of management, all other claims and suits are adequately covered by insurance, or are provided for in the financial statements, or, if not so covered or provided for, the results are not expected in the foreseeable future to materially affect the Company's financial position or financial performance.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

13. Capital Disclosures

The Company defines its capital as shareholders' equity (deficit), convertible preferred shares, convertible promissory notes, loans, and convertible debentures. The Company's financial strategy is designed and formulated to maintain a flexible capital structure to allow the Company the ability to respond to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue additional debt or issue debt to replace existing debt with similar or different characteristics.

The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs, and market and economic conditions at the time of the transaction. There were no changes in the Company's approach to capital management during the year and the Company is not exposed to any externally imposed capital requirements.

14. Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed are provided as follows:

(a) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its trade receivables. The Company performs ongoing credit evaluations of its customers' financial condition to determine the need for an allowance for doubtful accounts. The Company has not experienced significant credit losses to date. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances in the consolidated financial statements.

As at February 28, 2018 the balance from four customers made up 17.2% of trade receivables (four customers made up 38.2% of the balance at May 31, 2017).

The following table sets forth details of the aged receivables as well as the related allowance for doubtful accounts.

	February 28, 2018	May 31, 2017
	$	**$**
Current	1,569,734	387,146
31-60 days past billing date	127,752	76,255
61-90 days past billing date	31,190	14,160
Greater than 90 days past billing date	84,888	23,330
Total Receiveables	1,813,564	500,890
Less - allowance for Doubtful Accounts	(94,554)	(41,740)
	1,719,010	459,150

The Company's secondary exposure to credit risk is on its cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows will change. At February 28, 2018 the Company was exposed to interest rate risk as significant interest bearing debt matures within 12 months or less. These debts include:

	$
Convertible Preferred Shares	64,000
Loans Payable - Current Portion	1,816,918
	1,880,918

A 1% change in interest rates would impact the Company's net income by $18,809 over the next twelve months. The Company has mitigated this risk by entering into fixed rate agreements.

(c) *Currency risk*

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as certain suppliers' invoices are denominated in United States dollars. The Company currently does not use financial instruments to hedge this risk.

At February 28, 2018, the Canadian dollar equivalent value of the Company's United States dollar denominated financial instruments is as follows:

	$
Cash	15,106
Trade receivables	64,352
Trade payables	(129,719)
	(50,260)

A 10% movement in US currency versus the Canadian dollar would affect the Company's net income by approximately $5,026

(d) *Liquidity risk exposure*

Liquidity risk arises from the Company's general and capital funding needs. Further discussion on liquidity risk is included in note 1.

(e) *Fair values*

The fair value of the Company's financial assets and liabilities approximate their fair values due to the short-term nature of these instruments.

15. Employee Wages and Benefits Expense

Employee wages and benefits expense of $2,793,982 (2017 - $1,029,130) is included in operations and service delivery expenses for the nine months ended February 28, 2018, and $291,045 (2017 - $99,415) in sales and marketing expense.

Nine months ended February 28, 2018 and 2017 (Canadian dollars)

16. Statements of Cash Flows

Changes in working capital and other items:

	Year Ended	
	February 28, 2018	**February 28, 2017**
	$	**$**
Trade and other receivable	(1,259,860)	(415,126)
Inventories	17,299	(4,598)
Prepaid expenses	(19,039)	(238)
Trade payable and accrued liabilities	1,179,819	(176,894)
Accrued dividends payable	(70,307)	11,880
Accrued interest payable	(27,055)	17,940
Deferred revenue	13,493	(31,023)
Deferred rent	25,873	-
	(139,777)	**(598,059)**

17. Subsequent Events

Subsequent to February 28, 2018, the following events occurred:

An additional round of financing is expected to close in Q4 2018. The details are to follow.

During the quarter Uniserve has been engaged in negotiations to acquire the core business of a MSP provider. The transaction is expected to close during the first quarter of fiscal 2019.