



**01 Communique Laboratory Inc.**

**Interim Consolidated Financial Statements**

**for the period ended April 30, 2019**

**(Unaudited)**

**TSX-V : ONE**

Dated: June 11, 2019

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

See accompanying notes to unaudited interim consolidated financial statements

	30-Apr-19	31-Oct-18
Assets		
Current assets		
Cash and cash equivalents	\$ 112,026	\$ 113,760
Guaranteed investment certificate (note 2 (b) (vi))	350,000	700,000
Accounts receivable (note 2 (a))	55,988	62,696
Prepaid expenses and other assets	22,830	6,275
	<u>540,844</u>	<u>882,731</u>
Plant and equipment (note 12)	18,634	16,085
	<u>\$ 559,478</u>	<u>\$ 898,816</u>
Liabilities & Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities	\$ 534,765	\$ 584,552
Deferred revenue	9,463	8,455
Liability component of debenture (note 4)	383,917	390,733
	<u>928,145</u>	<u>983,740</u>
Shareholders' equity		
Share capital (note 5)	41,186,529	41,186,529
Contributed surplus	5,548,217	5,464,721
Share purchase warrants (note 5 (a))	400,000	400,000
Agent compensation options (note 5 (b))	99,200	99,200
Equity portion of Debenture (note 4)	80,924	64,811
Deficit	(47,683,537)	(47,300,185)
	<u>(368,667)</u>	<u>(84,924)</u>
Going concern (note 1 (b))		
Related party transaction (note 7)		
Contractual obligations and contingencies (note 9)		
Total liabilities and shareholders' deficit	<u>\$ 559,478</u>	<u>\$ 898,816</u>

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**  
**For the 3 and 6 month periods ended April 30, 2019 and 2018**

	<i>for the 3 months ending</i>		<i>for the 6 months ending</i>	
	<u>30-Apr-19</u>	<u>30-Apr-18</u>	<u>30-Apr-19</u>	<u>30-Apr-18</u>
Revenue	\$ 74,685	\$ 73,809	\$ 124,720	\$ 108,653
Expenses (income):				
Selling, general and administrative	151,137	55,566	281,149	90,041
Research and development	94,930	35,168	179,178	58,942
Interest	<u>(1,913)</u>	<u>(10)</u>	<u>(2,710)</u>	<u>(18)</u>
	244,153	90,724	457,617	148,965
Loss before interest and accretion on liability component of debenture and taxes	(169,468)	(16,915)	(332,897)	(40,312)
Interest on debenture	15,000	10,295	30,000	20,295
Accretion on liability portion of debenture	<u>4,762</u>	<u>-</u>	<u>9,297</u>	<u>8,420</u>
(Loss) before taxes	<u>(189,230)</u>	<u>(27,210)</u>	<u>(372,194)</u>	<u>(69,027)</u>
Withholding taxes	<u>6,813</u>	<u>7,834</u>	<u>11,158</u>	<u>10,554</u>
(Loss) for the period and comprehensive loss	<u>\$ (196,043)</u>	<u>\$ (35,044)</u>	<u>\$ (383,352)</u>	<u>\$ (79,581)</u>
Basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares				
Basic	76,543,807	66,543,807	76,543,807	66,543,807
Diluted	76,543,807	66,543,807	76,543,807	66,543,807

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Labortory Inc.**  
**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Unaudited)**  
**For the 3 and 6 month periods ended April 30, 2019 and 2018**

Six month period ended April 30, 2019	Number of shares	Share Capital	Contributed Surplus	Share purchase warrants	Agent options	Equity portion of debenture	Deficit	Total shareholders' equity
Balance October 31, 2018	76,543,807	\$41,186,529	\$5,464,721	\$400,000	\$99,200	\$ 64,811	\$(47,300,185)	\$ (84,924)
Comprehensive loss for the period	-	-	-	-	-	-	(383,352)	(383,352)
Stock based compensation expense	-	-	83,496	-	-	-	-	83,496
Equity portion of debenture amendment						16,113		16,113
Balance April 30, 2019	<u>76,543,807</u>	<u>\$41,186,529</u>	<u>\$5,548,217</u>	<u>\$400,000</u>	<u>\$99,200</u>	<u>\$ 80,924</u>	<u>\$(47,683,537)</u>	<u>\$ (368,667)</u>

Six month period ended April 30, 2018	Number of shares	Share Capital	Contributed Surplus	Share purchase warrants	Agent options	Equity portion of debenture	Deficit	Total shareholders' equity
Balance October 31, 2017	66,543,807	\$40,832,777	\$5,407,310	\$ -	\$ -	\$ 47,111	\$(46,912,561)	\$ (625,363)
Comprehensive income for the period							(79,581)	(79,581)
Equity portion of debenture amendment						17,700		17,700
Stock based compensation expense			10,915					10,915
Balance April 30, 2018	<u>66,543,807</u>	<u>\$40,832,777</u>	<u>\$5,418,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,811</u>	<u>\$(46,957,098)</u>	<u>\$ (676,329)</u>

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**For the 3 and 6 month periods ended April 30, 2019 and 2018**

	three months ending		six months ending	
	30-Apr-19	30-Apr-18	30-Apr-19	30-Apr-18
Cash provided by (used in):				
Operating activities:				
Income (Loss) for the period	\$ (196,043)	\$ (35,044)	\$ (383,352)	\$ (79,581)
Adjustments to reconcile the loss for the period to net cash flows from operating activities:				
Depreciation	1,294	340	2,696	783
Stock-based compensation	44,550	5,000	83,496	10,915
Accretion on liability portion of debenture	4,762	-	9,297	8,420
Interest income	(1,913)	(10)	(2,710)	(18)
Change in non-cash working capital (note 8)	(986)	(2,781)	(58,626)	(34,519)
	(148,336)	(32,495)	(349,199)	(94,000)
Interest income received	1,913	10	2,710	18
	(146,423)	(32,485)	(346,489)	(93,982)
Financing activities:				
Proceeds from guaranteed investment certificate	200,000		350,000	
Purchase of capital assets	(3,845)	(635)	(5,245)	(2,395)
Increase (decrease) in cash	49,732	(33,120)	(1,734)	(96,377)
Cash and cash equivalents, beginning of period	62,294	175,319	113,760	238,576
Cash and cash equivalents, end of period	\$ 112,026	\$ 142,199	\$ 112,026	\$ 142,199
Cash and cash equivalents comprise:				
Demand deposits	\$ 350,000	\$ -		
Cash	112,026	142,199		
	\$ 462,026	\$ 142,199		

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**Three and six month periods ended April 30, 2019 and 2018**

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

These unaudited interim condensed consolidated financial statements (“interim consolidated financial statements”) of 01 Communique Laboratory Inc. (the “Company”), which include the accompanying interim consolidated statement of financial position as at April 30, 2019 and the interim consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity and cash flows for the three and six month periods ended April 30, 2019 and 2018, are the responsibility of the Company’s management. These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, Shimmerman Penn LLP. The unaudited interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with accounting principles generally accepted in Canada. These unaudited interim consolidated financial statements are prepared under International Financial Reporting Standards (“IFRS”) and reflect management’s best estimates and judgment based on information currently available.

The Company was incorporated on October 7, 1992 under the laws of Ontario. The Company’s I’m InTouch product offering provides the Company’s customers with a suite of secure remote access services and products. In early fiscal 2018 the Company began transitioning its business from its legacy I’m InTouch product offering focusing on cybersecurity with the development and implementation of Post-Quantum Blockchain and Post-Quantum Cryptography technologies.

The Company’s head office is located at 789 Don Mills Road, Suite 700, Toronto ON M3C 1T5 and its common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol ONE.

**(1) Significant accounting policies:**

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

These interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and on a basis consistent with the accounting policies disclosed in the Company’s annual audited consolidated financial statements for the year ended October 31, 2018. The accounting standards applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of the date the Board of Directors authorized the financial statements for issue.

The interim consolidated financial statements were authorized for issue by the Board of Directors on June 11, 2019.

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

The interim consolidated financial statements have been prepared on the historical cost basis, except for the following items in the consolidated statements of financial position:

Financial instruments at fair value through profit and loss are measured at fair value; and  
Available-for-sale financial assets are measured at fair value.

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

**(b) Going Concern:**

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. As at April 30, 2019 the Company reported a working capital deficiency of \$387,301(October 31, 2018 – \$101,009). In addition to the working capital deficiency, 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 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.

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

**(a) Financial instruments:**

The Company has classified its financial instruments as follows:

	30-Apr-19	31-Oct-18
Financial assets:		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	\$ 112,026	\$ 113,760
Guaranteed investment certificate	350,000	700,000
Loans and receivables, recorded at cost:		
Accounts receivable	55,988	62,696
Financial liabilities, recorded at amortized cost:		
Accounts payable and accrued liabilities	534,765	584,552
Liability component of debenture	383,917	390,733

Accounts receivable are comprised of the following:

	30-Apr-19	31-Oct-18
Trade receivables	\$ 42,029	\$ 40,486
Investment tax credits receivable	6,000	6,000
Other	7,959	16,210
	<u>\$ 55,988</u>	<u>\$ 62,696</u>

**(b) Financial risk management:**

**(i) Overview:**

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



**(ii) Credit risk:**

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

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At April 30, 2019 and October 31, 2018, the Company had a nil balance in the allowance for doubtful accounts and had no material past due trade receivables.

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

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

There was one company that comprised 91% (2018 – 90%) and 89% (2018 - 86%) of the Company's total of revenue for the three and six months ended April 30, 2019 respectively. No other customers exceeded 10% of revenue during the current or prior periods. The customer comprising 91% (2018 – 90%) of revenue represents 75% (2018 – 88%) of accounts receivable as at April 30, 2019.

**(iv) Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

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

At April 30, 2019, the Company had financial assets held-for-trading of \$462,026 (October 31, 2018 - \$813,760), loans and receivables of \$55,988 (October 31, 2018 - \$62,696) and financial liabilities of \$918,682 (October 31, 2018 - \$975,285), consisting of accounts payable and accrued liabilities and debentures. 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 April 30, 2019 is \$383,917 (October 31, 2018 - \$390,733) (note 4).

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

**(v) Market risk:**

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

Currency risk:

Net monetary liabilities due in U.S. dollars include accounts payable of \$353,312 (October 31, 2018 – \$346,841), cash of \$58,359 (October 31, 2018 - \$13,557) and accounts receivable of \$31,145 (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 sales made in U.S. dollars. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. and the Canadian dollar from the date of the sales transaction to the collection date due. As at April 30, 2019, the Company had net monetary liabilities due in U.S. dollars of \$263,808 (October 31, 2018 - \$302,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at April 30, 2019 would have resulted in a gain in the amount of \$26,380 (October 31, 2018 - \$30,200) or a loss of \$26,380 (October 31, 2018 - \$30,200), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the six month period ended April 30, 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 six month period ended April 30, 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 six month period ended April 30, 2019 of \$7,500 (2018 – \$7,300). 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.

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

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity and terms of these financial instruments. The Debenture has a maturity date of April 24, 2020, and in determining the fair value 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.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The table below presents the Level in the fair value hierarchy into which the fair values of financial instruments that are carried at fair value on the consolidated statements of financial position are categorized:

	Level 1	Level 2	Level 3
		Valuation technique using observable market inputs	Valuation technique using non-observable market inputs
Financial assets:			
Cash and cash equivalents:			
April 30, 2019	\$ 112,026	\$ –	\$ –
October 31, 2018	113,760	–	–
Guaranteed investment certificate			
April 30, 2019	\$ 350,000	\$ –	\$ –
October 31, 2018	700,000	–	–

There were no financial instruments categorized in Level 2 or Level 3 as at April 30, 2019 and October 31, 2018.

There were no transfers of assets between levels during the six month period ended April 30, 2019 and the year ended October 31, 2018.

The guaranteed investment certificate is a one year cashable guaranteed investment certificate bearing interest at 2% per annum and maturing September 26, 2019.

### (3) Capital risk management:

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

reviews of its forecasted cash flow requirements to ensure cash flow needs are addressed. Refer to note 1(b) of these consolidated financial statements for the Company's plans in place in order to achieve these objectives.

The capital structure of the Company is composed of the liability component of the debenture.

The Company is not subject to externally imposed capital requirements.

#### **(4) 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 April 30, 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. On March 27, 2019 the Company entered into an agreement to amend the terms of the Debenture Units and the Warrants. As at April 30, 2019, the Company was in compliance with all covenants of the Debenture Units as amended.

The amendment was treated as a cancellation of the previous Debenture and Warrants and an issuance of a new Debenture and Warrants under the new terms. Prior to March 27, 2019, the date of amendment, each Debenture bore interest at a rate of 15% per annum, calculated and payable quarterly. The Debentures had a term of 36 months expiring on April 24, 2019 and were redeemable at any time prior to maturity at the discretion of 01 Communique with payment of an additional three months interest. Each Warrant was exercisable into one common share in the capital of 01 Communique at any time until April 24, 2019 at an exercise price of \$0.10 per Common Share. Under the terms of the March 27, 2019 amendment the rate of interest on the Debentures remained at 15% per annum with the maturity date extended to April 24, 2020 and the Warrant expiry date was extended to April 24, 2020 from April 24, 2019. In addition the Warrants as amended provide for an expiry date acceleration clause such that the exercise period of the Warrants will 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.

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 \$9,297 (2018 – \$8,420) are calculated using the discount rate of 20% for the Debenture and have been recorded in the statements of operations and comprehensive loss.

**(5) Share Capital:**

Authorized:

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

There was no change in issued and outstanding common shares for the six month period ended April 30, 2019:

	Number	Amount
Shares outstanding October 31, 2018 and April 30, 2019	76,543,807	\$ 41,186,529

a) Warrants:

There were no changes in issued and outstanding warrants for the six month period ended April 30, 2019:

	Number	Value	Weighted average exercise price
Share purchase warrants outstanding December 31, 2018 and April 30, 2019	5,800,000	\$ 417,700	\$ 0.14

b) Agent compensation options:

There were no changes in issued and outstanding agent compensation options for the six month period ended April 30, 2019:

	Number	Value	Weighted average exercise price
Agent compensation options outstanding December 31, 2018 and April 30, 2019	800,000	\$ 99,200	\$ 0.10

c) The following table summarizes changes to the Company's stock option plan for the six month period ended April 30, 2019:

	Number	Weighted average exercise price
Stock options outstanding October 31, 2018	6,260,000	\$ 0.14
Granted during the period	1,310,000	\$ 0.07
Expired during the period	(1,065,000)	\$ 0.26
Stock options outstanding April 30, 2019	6,505,000	\$ 0.10

(d) The following table summarizes information with respect to the Company's stock option plan as at April 30, 2019:

Range of exercise prices	Number Outstanding	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
		Weighted Average remaining life	Weighted average exercise	Number exercisable	Weighted Average Exercise
\$0.05	3,335,000	2.0	\$0.05	3,335,000	\$0.05
\$0.07 to \$0.10	2,380,000	3.3	\$0.07	670,000	\$0.08
\$0.42	790,000	0.3	\$0.42	790,000	\$0.42
	6,505,000	2.3	\$0.10	3,895,000	\$0.12

There were 1,310,000 stock options granted during the six months ended April 30, 2019 (2018 – 120,000). The average grant date fair value of options granted during the six months ended April 30, 2019 was \$0.06 (2018 - \$.05). 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 period ended April 30, 2019: dividend yield of nil (2018 nil), expected volatility of 176% (2018 – 147%), weighted average risk-free interest rate of 1.5% (2018 – 1.5%) and expected lives ranging from 2 to 5 years (2018 – 18 months).

During the three and six month periods ended April 30, 2019, the Company recorded compensation expense related to stock options of \$44,550 (2018 - \$5,000) and \$83,496 (2018 - \$10,915) respectively.

**(6) Loss per share:**

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

**For the three months ended**

	<b><u>30-Apr-19</u></b>	<b><u>30-Apr-18</u></b>
Profit (loss) and comprehensive profit ( loss)	\$ (196,043)	\$ (35,044)
Weighted average number of common shares outstanding		
Basic	66,543,807	66,543,807
Diluted	66,543,807	66,543,807
Profit (loss) per common share		
Basic	\$ (0.00)	\$ 0.00
Diluted	\$ (0.00)	\$ 0.00

**For the six months ended**

	<b><u>30-Apr-19</u></b>	<b><u>30-Apr-18</u></b>
Loss and comprehensive loss	\$ (383,352)	\$ (79,581)
Weighted average number of common shares outstanding		
Basic	66,543,807	66,543,807
Diluted	66,543,807	66,543,807
Loss per common share		
Basic	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)

As the Company is in a loss position for the three and six month periods ended April 30, 2019 and 2018, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

**(7) Related Party Transactions:**

The remuneration of directors and other key management personnel of the Company during the three and six month periods ended April 30, 2019 and 2018 were as follows:

	<i>for the 3 months ending</i>		<i>for the 6 months ending</i>	
	<u>30-Apr-19</u>	<u>30-Apr-18</u>	<u>30-Apr-19</u>	<u>30-Apr-18</u>
Salaries	\$ 50,000	\$ 26,000	\$ 102,500	\$ 39,500
Stock-based compensation	\$ 44,550	\$ -	\$ 74,557	\$ 5,915

The Company's President and CEO invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during the three and six month periods ended April 30, 2019 were \$11,500 (2018 - \$15,000) and \$25,500 (2018 - \$20,000) respectively, and have been included in research and development expenses and are disclosed in the salaries amounts in the above table. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The President and CEO's salary for the three and six months ended April 30, 2019 was \$21,000 (2018 – Nil) and \$42,000 (2018 – Nil) respectively.

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

	<i>three months ending</i>		<i>six months ending</i>	
	<u>30-Apr-19</u>	<u>30-Apr-18</u>	<u>30-Apr-19</u>	<u>30-Apr-18</u>
Accounts receivable	\$ 25,611	\$ (3,153)	\$ 6,708	\$ (18,441)
Prepaid expenses and other assets	(15,884)	(12,103)	(16,555)	(12,705)
Accounts payable & accruals	(11,773)	11,192	(49,787)	(4,213)
Deferred revenue	1,060	1,283	1,008	840
	<u>\$ (986)</u>	<u>\$ (2,781)</u>	<u>\$ (58,626)</u>	<u>\$ (34,519)</u>

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

The contractual obligations the Company has pertains to operating lease agreements for its premises and equipment. The total contractual amount due is \$22,848 for the remainder of fiscal 2019. During the quarter the Company entered into a lease at a new location at a monthly rate of \$ 3,808 effective April 1, 2019, and \$3,873 effective April 1, 2020. The lease expires March 31, 2021. Rental expense under operating lease agreements for the three month and six periods ended April 30, 2019 were \$7,308 (2018 - \$5,250) and \$12,558 (2018 - \$10,500) respectively. 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.

**(10) Segmented Information:**

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

	<i>For the three months ended</i>		<i>For the six months ended</i>	
	<u>30-Apr-19</u>	<u>30-Apr-18</u>	<u>30-Apr-19</u>	<u>30-Apr-18</u>
United States	\$ 4,394	\$ 5,042	\$ 8,608	\$ 9,398
Canada	2,157	2,425	4,530	5,714
Japan	68,134	66,342	111,582	93,541
	<u>\$ 74,685</u>	<u>\$ 73,809</u>	<u>\$ 124,720</u>	<u>\$ 108,653</u>

Substantially all of the Company's identifiable assets as at April 30, 2019 and October 31, 2018 are located in Canada.

**(11) Revenues:**

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

	<i>For the three months ended</i>		<i>For the six months ended</i>	
	<u>30-Apr-19</u>	<u>30-Apr-18</u>	<u>30-Apr-19</u>	<u>30-Apr-18</u>
Licensing fees	\$ 6,551	\$ 7,467	\$ 13,138	\$ 15,112
Subscription and maintenance fees	68,134	66,342	111,582	93,541
	<u>\$ 74,685</u>	<u>\$ 73,809</u>	<u>\$ 124,720</u>	<u>\$ 108,653</u>

**(12) Operating expenses:**

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

<b>three months ended 30-Apr-19</b>	<b>Selling, general and administration</b>	<b>Research and development</b>	<b>Total</b>
Salaries, contractors, commissions and benefits	\$ 45,690	\$ 65,975	\$ 111,665
Stock-based compensation	44,550	-	44,550
Other operating expenses	60,897	28,955	89,851
	<u>\$ 151,137</u>	<u>\$ 94,930</u>	<u>\$ 246,066</u>

<b>three months ended 30-Apr-18</b>	<b>Selling, general and administrative</b>	<b>Research and development</b>	<b>Total</b>
Salaries, contractors, commissions and benefits	\$ 11,337	\$ 24,039	\$ 35,376
Stock-based compensation	5,000	-	5,000
Other operating expenses	39,229	11,129	50,358
	<u>\$ 55,566</u>	<u>\$ 35,168</u>	<u>\$ 90,734</u>

<b>six months ended 30-Apr-19</b>	<b>Selling, general and administrative</b>	<b>Research and development</b>	<b>Total</b>
Salaries, contractors, commissions and benefits	\$ 91,283	\$ 120,255	\$ 211,538
Stock-based compensation	83,496	-	83,496
Other operating expenses	106,370	58,923	165,293
	<u>\$ 281,149</u>	<u>\$ 179,178</u>	<u>\$ 460,327</u>

<b>six months ended 30-Apr-18</b>	<b>Selling, general and administrative</b>	<b>Research and development</b>	<b>Total</b>
Salaries, contractors, commissions and benefits	\$ 24,251	\$ 35,956	\$ 60,207
Stock-based compensation	10,915	-	10,915
Other operating expenses	54,876	22,986	77,861
	<u>\$ 90,041</u>	<u>\$ 58,942</u>	<u>\$ 148,983</u>

**(13) Property and Equipment:**

<b>April 30, 2019</b>	Computer Systems	Communications Equipment	Furniture and fixtures and leaseholds	Total
Cost				
Balance at October 31, 2018	\$ 548,284	\$ 26,887	\$ 130,002	\$ 705,173
Additions	5,245	-	-	5,245
Balance at April 30, 2019	<u>\$ 553,529</u>	<u>\$ 26,887</u>	<u>\$ 130,002</u>	<u>\$ 710,418</u>
Depreciation				
Balance at October 31, 2018	\$ 532,199	\$ 26,887	\$ 130,002	\$ 689,088
Additions	2,696	-	-	2,696
Balance at April 30, 2019	<u>\$ 534,895</u>	<u>\$ 26,887</u>	<u>\$ 130,002</u>	<u>\$ 691,784</u>
Carry amounts				
Balance at April 30, 2019	\$ 18,634	\$ -	\$ -	\$ 18,634
Balance at October 31, 2018	\$ 16,085	\$ -	\$ -	\$ 16,085

<b>April 30, 2018</b>	Computer Systems	Communications Equipment	Furniture and fixtures and leaseholds	Total
Cost				
Balance at October 31, 2017	\$ 533,329	\$ 26,887	\$ 130,002	\$ 690,218
Additions	2,396	-	-	2,396
Balance at April 30, 2018	<u>\$ 535,725</u>	<u>\$ 26,887</u>	<u>\$ 130,002</u>	<u>\$ 692,614</u>
Depreciation				
Balance at October 31, 2017	\$ 530,853	\$ 26,887	\$ 130,002	\$ 687,742
Additions	783	-	-	783
Balance at April 30, 2018	<u>\$ 531,636</u>	<u>\$ 26,887</u>	<u>\$ 130,002</u>	<u>\$ 688,525</u>
Carry amounts				
Balance at April 30, 2018	\$ 4,089	\$ -	\$ -	\$ 4,089
Balance at October 31, 2017	\$ 2,476	\$ -	\$ -	\$ 2,476

## 01 Communique Laboratory Inc. 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  
Blockchain Consultant

### **OFFICERS**

Andrew Cheung  
President & CEO

Brian Stringer  
Chief Financial Officer

Gigi Loo  
Controller and Corporate  
Secretary

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