



**01 Communique Laboratory Inc.**

**Interim Consolidated Financial Statements**

**for the period ended January 31, 2018**

**(Unaudited)**

**TSX-V : ONE**

Dated: March 15, 2018

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

See accompanying notes to unaudited interim consolidated financial statements

	31-Jan-18	31-Oct-17
Assets		
Current assets		
Cash and cash equivalents	\$ 175,319	\$ 238,576
Accounts receivable (note 2)	43,365	28,077
Prepaid expenses and other assets	6,883	6,281
	<u>225,567</u>	<u>272,934</u>
Plant and equipment (note 12)	3,794	2,477
	<u>\$ 229,361</u>	<u>\$ 275,411</u>
Liabilities & Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 482,890	\$ 498,295
Deferred revenue	10,456	10,899
Liability component of debenture (note 4)	--	391,580
	<u>493,346</u>	<u>900,774</u>
Liability portion of Debenture (note 4)	382,300	--
Shareholders' equity		
Share capital (note 5)	40,832,777	40,832,777
Contributed surplus	5,413,225	5,407,310
Equity portion of Debenture (note 4)	64,811	47,111
Deficit	<u>(46,953,363)</u>	<u>(46,912,561)</u>
	<u>(646,285)</u>	<u>(625,363)</u>
Going concern (note 1 (b))		
Related party transaction (note 7)		
Contractual obligations and contingencies (note 9)		
	<u>\$ 229,361</u>	<u>\$ 275,411</u>

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**  
**For the 3 month periods ended January 31, 2018 and 2017**

	<i>for the 3 months ending</i>	
	<i>31-Jan-18</i>	<i>31-Jan-17</i>
Revenue	\$ 34,844	\$ 7,631
Expenses (income):		
Selling, general and administrative	34,475	86,034
Research and development	23,774	5,325
Interest	(8)	(8)
	<u>58,241</u>	<u>91,351</u>
Profit (Loss) before interest, accretion on liability component of debenture and taxes	\$ (23,397)	\$ (83,720)
Interest on debenture	10,000	10,000
Accretion on liability portion of debenture	8,420	4,043
	<u></u>	<u></u>
Profit (loss) before taxes	\$ (41,817)	\$ (97,763)
Withholding taxes	2,720	-
	<u></u>	<u></u>
Profit (loss) for the period	<u>\$ (44,537)</u>	<u>\$ (97,763)</u>
Basic	\$ (0.001)	\$ (0.001)
Diluted	\$ (0.001)	\$ (0.001)
Weighted average number of common shares (note 6)		
Basic	66,543,807	66,543,807
Diluted	66,543,807	66,543,807

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Unaudited)**  
**For the 3 month periods ended January 31, 2018 and 2017**

Three month period ending January 31, 2018	Number of shares	Share Capital	Contributed Surplus	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					(44,537)	(44,537)
Equity portion of debenture amendment				17,700		17,700
Stock based compensation expense			5,915			5,915
Balance January 31, 2018	<u>66,543,807</u>	<u>\$40,832,777</u>	<u>\$5,413,225</u>	<u>\$64,811</u>	<u>\$(46,957,098)</u>	<u>\$(646,285)</u>

Three month period ended January 31, 2017	Number of shares	Share Capital	Contribute Surplus	Equity portion of debenture	Deficit	Total shareholders' equity
Balance October 31, 2016	66,543,807	\$40,832,777	\$5,311,155	\$47,111	\$(46,887,653)	\$(696,610)
Comprehensive income for the period					(97,763)	(97,763)
Stock based compensation expense			52,500			52,500
Balance January 31, 2017	<u>66,543,807</u>	<u>\$40,832,777</u>	<u>\$5,363,655</u>	<u>\$47,111</u>	<u>\$(46,985,416)</u>	<u>\$(741,873)</u>

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**For the 3 month periods ended January 31, 2018 and 2017**

	three months ending	
	<u>31-Jan-18</u>	<u>31-Jan-17</u>
Cash provided by (used in):		
Operating activities:		
Income (Loss) for the period	\$ (44,537)	\$ (97,763)
Adjustments to reconcile the loss for the period to net cash flows from operating activities		
Depreciation	443	1,089
Stock-based compensation	5,915	52,500
Accretion on liability portion of debenture	8,420	4,043
Interest income	(8)	(8)
Change in non-cash working capital (note 8)	(31,738)	(16,816)
	(61,505)	(56,955)
Interest income received	8	8
	(61,497)	(56,947)
Investing activities:		
Purchase of capital assets	(1,760)	-
Increase (decrease) in cash	(63,257)	(56,947)
Cash and cash equivalents, beginning of period	238,576	173,424
Cash and cash equivalents, end of period	<u>\$ 175,319</u>	<u>\$ 116,477</u>
Cash and cash equivalents comprise:		
Demand deposits	\$ -	\$ -
Cash	175,319	116,477
	<u>\$ 175,319</u>	<u>\$ 116,477</u>

See accompanying notes to unaudited interim consolidated financial statements

**01 Communique Laboratory Inc.**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**Three month periods ended January 31, 2018 and 2017**

**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 January 31, 2018 and the interim consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity and cash flows for the three month periods ended January 31, 2018 and 2017, 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 develops and markets remote access and online collaboration solutions. The Company’s solutions consist of its I’m InTouch, I’m OnCall and I’m InTouch Meeting product lines, which provide users with the ability to conduct online meetings and access and/or remotely control their PC from anywhere, anytime using virtually any device connected to the Internet.

The Company’s head office is located at 1450 Meyerside Drive, Suite 500, Mississauga, Ontario, L5T 2N5 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, 2017. 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 March 15, 2018.

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 January 31, 2018 the Company reported a working capital deficiency of \$267,779 (October 31, 2017 – \$627,840). In addition, 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) increasing product and service revenue from its I'm InTouch, I'm OnCall and I'm InTouch Meeting product lines through downloads from the Company's web site; (ii) its patent lawsuit against Citrix Systems Inc. ("Citrix"); 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:

	31-Jan-18	31-Oct-17
Financial assets:		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	\$ 175,319	\$ 238,576
Loans and receivables, recorded at cost:		
Accounts receivable	43,365	28,077
Financial liabilities, recorded at amortized cost:		
Accounts payable and accrued liabilities	482,890	498,295
Liability portion of Debenture	382,300	391,580

Accounts receivable comprise the following:

	31-Jan-18	31-Oct-17
Trade receivables	\$ 39,559	\$ 11,507
Other	3,806	4,570
	<u>\$ 43,365</u>	<u>\$ 16,077</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 January 31, 2018 and October 31, 2017, 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 78% (2017 – nil) of the Company's total of revenue during the period. No other customers exceeded 10% of revenue during the current or prior period. The customer comprising 78% of revenue represents 91% of accounts receivable as at January 31, 2018.

**(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 January 31, 2018, the Company had financial assets held-for-trading of \$175,319 (October 31, 2017 - \$238,576), loans and receivables of \$43,365 (October 31, 2017 - \$28,077) and financial liabilities of \$482,890 (October 31, 2017 - \$498,295). All of the Company's financial liabilities, with the exception of a Debenture, have short terms to maturity. The Company has a \$400,000 Debenture which is due April 24, 2019. 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 January 31, 2018 is \$382,300 (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 \$346,841 (October 31, 2017 – 346,841), cash of \$170,723 (October 31, 2017 - \$185,068) and accounts receivable of \$30,624 (October 31, 2017 - \$18,732).

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. In addition, the Company incurs expenses in the U.S. relating to patent litigation and re-examination expenses, which are denominated 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 January 31, 2018, the Company had net monetary liabilities due in U.S. dollars of \$145,500 (October 31, 2017 - \$143,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at January 31, 2018 would have resulted in a gain in the amount of \$14,500 (October 31, 2017 - \$14,300) or a loss of \$14,500 (October 31, 2017 - \$14,300), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the three month period ended January 31, 2018. 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 three month period ended January 31, 2018. 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 not result in a significant change to the net loss for the period ended January 31, 2018 as there was minimal revenue produced, as well as minimal expenses incurred in U.S. dollars. 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, 2019, 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:			
January 31, 2018	\$ 175,319	\$ –	\$ –
October 31, 2017	238,576	–	–

There were no financial instruments categorized in Level 2 or Level 3 as at January 31, 2018 and October 31, 2017.

There were no transfers of assets between levels during the three month period ended January 31, 2018 and the year ended October 31, 2017.

### **(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:**

On January 31, 2018, the Company entered into an agreement to amend the terms of its \$400,000 principal amount of debentures (the "Debentures") and 800,000 common share purchase warrants (the "Warrants") that were issued on April 24, 2015.

Each Debenture bears interest at a rate of 10% per annum, calculated and payable quarterly. The Debentures had a term of 36 months expiring on April 24, 2018 and were redeemable at any time prior to maturity at the discretion of 01 Communique with payment of an additional three months interest. The Debentures are secured by a general security agreement. Each Warrant is exercisable into one common share in the capital of 01 Communique at any time until April 24, 2018 at an exercise price of \$0.21 per Common Share. Under the terms of the amendment the rate of interest on the Debentures increased to 15% effective April 25, 2018 and the maturity date is extended to April 24, 2019. Furthermore, effective January 31, 2018 the Warrant exercise price is decreased to \$0.10 and the expiry date is extended to April 24, 2019. In addition the amended Warrants 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 will split the Debenture and Warrant components of the Debenture 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 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 \$382,300 using a discount rate of 20%. The equity portion of the amended Debenture is estimated as the residual \$17,700.

#### **(5) Share Capital:**

Authorized:

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

Change in issued and outstanding common shares for the three month period ended January 31, 2018:

	Number	Amount
Shares outstanding October 31, 2017 and January 31, 2018	66,543,807	\$ 40,832,777

(a) Debenture Warrants:

	Number	Weighted average exercise price
Debenture Warrants issued April 24, 2015 and outstanding January 31, 2018	800,000	\$ 0.10

(b) The following table summarizes changes to the Company's stock option plan for the three month period ended January 31, 2018:

	Number	Weighted average exercise price
Stock options outstanding October 31, 2017	4,938,750	\$ 0.17
Granted during the period	120,000	\$ 0.05
Stock options outstanding January 31, 2018	5,058,750	\$ 0.17

(c) The following table summarizes information with respect to the Company's stock option plan as at January 31, 2018:

Range of exercise prices	Number Outstanding	<u>Options Outstanding</u>		Number exercisable	<u>Options Exercisable</u>
		Weighted Average remaining life	Weighted average exercise		Weighted Average Exercise
\$0.05	2,855,000	2.8	\$0.05	2,735,000	\$0.05
\$0.20 to \$0.26	1,048,750	0.8	\$0.20	930,000	\$0.20
\$0.41 to \$0.49	1,155,000	1.3	\$0.44	1,015,000	\$0.44
	5,058,750	2.0	\$0.17	4,680,000	\$0.17

There were 120,000 stock options granted during the three months ended January 31, 2018 (2017 – Nil). The average grant date fair value of options granted during the three months ended January 31, 2018 was \$0.05. 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 January 31, 2018: dividend yield of nil, expected volatility of 147%, weighted average risk-free interest rate of 1.5% and expected lives of 18 months.

During the three month period ended January 31, 2018, the Company recorded compensation expense related to stock options of \$5,915 (2017 - \$52,500).

**(6) Loss per share:**

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

**For the three months ended**

	<u><b>31-Jan-18</b></u>	<u><b>31-Jan-17</b></u>
Loss and comprehensive loss	\$ (44,537)	\$ (97,763)
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	\$ (0.001)	\$ (0.001)
Diluted	\$ (0.001)	\$ (0.001)

As the Company is in a loss position for the three months ended January 31, 2018 and 2017, 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 month periods ended January 31, 2018 and 2017 were as follows:

	for the 3 months ended	
	<u>31-Jan-18</u>	<u>31-Jan-17</u>
Salaries	\$ 13,500	\$ --
Stock-based compensation	\$ 5,915	\$ 52,500

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 month period ended January 31, 2018 were \$5,000 (2017 - Nil), 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 did not receive a salary for the three months ended January 31, 2018 (2017 – Nil).

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

	three months ended	
	31-Jan-18	31-Jan-17
Accounts receivable	\$ (15,288)	\$ 3,048
Prepaid expenses and other assets	(602)	(712)
Accounts payable and accruals	(15,405)	(17,922)
Deferred revenue	(443)	(1,230)
	<u>\$ (31,738)</u>	<u>\$ 16,816</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 \$15,750 for the remainder of fiscal 2018. The premise lease expires February 28, 2019 at a monthly rate of \$1,750. Rental expense under operating lease agreements for the three period ended January 31, 2018 were \$5,250 (2017 - \$5,250).

On January 15 and 27, 2010, the Company issued a Series A Secured Debenture, comprising 12 debenture units ("Debenture Units"), which were redeemed on August 25, 2010. Each Debenture Unit maintained its entitlement for the holder thereof to receive 0.4% of the cash proceeds received by the Company as a result of: (a) a final, non-appealable decision by a court of competent jurisdiction in respect of the Company's litigation with Citrix Systems Inc., or (b) a settlement in respect of such matter.

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>31-Jan-18</i>	<i>31-Jan-17</i>
United States	\$ 4,356	\$ 5,165
Canada	3,289	2,466
Japan	27,199	
	<u>\$ 34,844</u>	<u>\$ 7,631</u>

Substantially all of the Company's identifiable assets as at January 31, 2018 and October 31, 2017 are located in Canada.

**(11) 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; research and development expenses; and patent enforcement and re-examination expenses. The following table presents the expenses based on their nature:

<b>three months ended</b>	Selling, general	Research and	
<b>31-Jan-18</b>	and administrative	development	Total
Salaries, contractors, commissions and benefits	\$ 14,831	\$ 11,917	\$ 26,748
Stock-based compensation	5,915	-	5,915
Other operating expenses	13,729	11,857	25,586
	<u>\$ 34,475</u>	<u>\$ 23,774</u>	<u>\$ 58,249</u>

<b>three months ended</b>	Selling, general	Research and	
<b>31-Jan-17</b>	and administrative	development	Total
Salaries, contractors, commissions and benefits	\$ 4,975	\$ 3,550	\$ 8,525
Stock-based compensation	52,500	-	52,500
Other operating expenses	28,559	1,775	30,334
	<u>\$ 86,034</u>	<u>\$ 5,325</u>	<u>\$ 91,359</u>



**(12) Property and Equipment:**

<b>January 31, 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		1,760	-	-	1,760
Balance at January 31, 2018	\$	535,089	\$ 26,887	\$ 130,002	\$ 691,978
Depreciation					
Balance at October 31, 2017	\$	530,853	\$ 26,887	\$ 130,002	\$ 687,742
Additions		443	-	-	443
Balance at January 31, 2018	\$	531,296	\$ 26,887	\$ 130,002	\$ 688,185
Carry amounts					
Balance at January 31, 2018	\$	3,793	\$ -	\$ -	\$ 3,793
Balance at October 31, 2017	\$	2,476	\$ -	\$ -	\$ 2,476

**January 31, 2017**

		Computer Systems	Communications Equipment	Furniture and fixtures and leaseholds	Total
Cost					
Balance at October 31, 2016	\$	532,397	\$ 26,887	\$ 130,002	\$ 689,286
Additions		-	-	-	-
Balance at January 31, 2017	\$	532,397	\$ 26,887	\$ 130,002	\$ 689,286
Depreciation					
Balance at October 31, 2016	\$	528,546	\$ 26,774	\$ 130,002	\$ 685,322
Additions		976	113	-	1,089
Balance at January 31, 2017	\$	528,546	\$ 26,887	\$ 130,002	\$ 686,411
Carry amounts					
At October 31, 2016	\$	3,852	\$ 113	\$ -	\$ 3,965
At January 31, 2017	\$	3,851	\$ -	\$ -	\$ 2,875

## **01 Communique Laboratory Inc. Corporate Information**

### **DIRECTORS**

Andrew Cheung  
President & CEO

William A. Train  
Chairman  
Private investor

Gigi Loo  
Controller and Corporate  
Secretary

Gary Kissack  
Lawyer, Fogler, Rubinoff LLP

### **OFFICERS**

Andrew Cheung  
President & CEO

Brian Stringer  
Chief Financial Officer

Gigi Loo  
Controller

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Trading Symbol "ONE"