Auralite Investments Inc.

Financial Statements

July 31, 2019

Presented in Canadian dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Auralite Investments Inc.

Opinion

We have audited the financial statements of Auralite Investments Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2019 and 2018, and the statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 28, 2019

Auralite Investments Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	July 31, 2019	July 31, 2018
Assets			
Current Assets			
Cash		$ 3,189,070	$ 2,117,855
Restricted cash	7	115,000	-
Prepaid expense		30,775	-
Investments	3	397,000	-
Total Assets		$ 3,731,845	$ 2,117,855
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 17,055	$ 38,663
Total liabilities		17,055	38,663
Shareholders' equity			
Share capital	4	10,525,899	2,347,309
Share payment reserve	4	11,241	48,957
Deficit		(6,822,350)	(317,074)
Total shareholders' equity		3,714,790	2,079,192
Total liabilities and shareholders' equity		$ 3,731,845	$ 2,117,855

Nature and Continuance of Operations (Note 1)

Commitment (Note 10)

The accompanying notes are an integral part of these financial statements

Auralite Investments Inc.

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Note		Year Ended July 31, 2019		Year Ended July 31, 2018
Expenses					
General and administrative		$	135,740	$	42,377
Consulting	11		218,091		23,976
Transfer agent and filing fees			155,380		67,755
Stock based compensation	4		-		44,804
Professional fees			95,603		108,239
			(604,814)		(287,151)
Other Items					
Interest income			20,116		-
Impairment of investment	3		(1,253,000)		-
Loss on debt securities	3		(4,740,476)		-
Loss on foreign currency			(755)		-
Net and comprehensive loss		$	(6,578,929)	$	(287,151)
Weighted average number of outstanding shares			**262,668,419**		**59,280,152**
Basic and diluted loss per share			**$(0.03)**		**$(0.00)**

The accompanying notes are an integral part of these financial statements

Auralite Investments Inc.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Share Capital Number	Share Capital Amount	Share Payment Reserve	Deficit	Total Shareholders'
Balance, July 31, 2017		8,000,000	$ 100,000	$ -	$ (29,923)	$ 70,077
Shares issued for cash, net of issuance costs	4	92,000,000	2,236,426	7,911	-	2,244,337
Shares issued on exercise of warrants	4	285,000	10,883	(3,758)	-	7,125
Stock based compensation	4	-	-	44,804	-	44,804
Net and comprehensive loss		-	-	-	(287,151)	(287,151)
Balance, July 31, 2018		100,285,000	$ 2,347,309	$ 48,957	$ (317,074)	$ 2,079,192
Balance, July 31, 2018		100,285,000	$ 2,347,309	$ 48,957	$ (317,074)	$ 2,079,192
Shares issued for cash, net of issuance costs	4	22,400,000	3,500,000	-	-	3,500,000
Shares issued for convertible debenture	3,4,8	168,000,000	4,740,476	-	-	4,740,476
Shares issued on exercise of warrants	4	312,000	11,914	(4,113)	-	7,801
Expiration of stock options	4		-	(33,603)	33,603	-
Repurchase of shares	4	(1,800,000)	(73,800)	-	40,050	(33,750)
Net and comprehensive loss			-	-	(6,578,929)	(6,578,929)
Balance, July 31, 2019		289,197,000	$ 10,525,899	$ 11,241	$ (6,822,350)	$ 3,714,790

The accompanying notes are an integral part of these financial statements

Auralite Investments Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended July 31, 2019	Year Ended July 31, 2018
Cash provided by (used in):		
Operating activities		
Net loss	$ (6,578,929)	$ (287,151)
Adjustment for non-cash working capital item:		
Impairment of investment	1,253,000	-
Loss on debt securities	4,740,476	-
Stock based compensation	-	44,804
Changes in non-cash working capital item:		
Accounts payable	(21,608)	31,997
Prepaid expense	(30,775)	-
Cash used in operating activities	(637,836)	(210,350)
Investing activities		
Purchase of investments	(1,650,000)	-
Purchase of term deposit	(115,000)	-
Cash used in investing activities	(1,765,000)	-
Financing activities		
Proceeds from issuance of shares, net of issuance costs	3,500,000	2,244,337
Proceeds from exercise of warrants	7,801	7,125
Common shares repurchased for cancellation	(33,750)	-
Cash provided by financing activities	3,474,051	2,251,462
Increase in cash	1,071,215	2,041,112
Cash, beginning	2,117,855	76,743
Cash, ending	$ 3,189,070	$ 2,117,855

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Auralite Investment Inc. (the "Company" or “Auralite”) is a publicly listed company incorporated in the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”) and its head office is located at #340-1917 West 4th Avenue, Vancouver, British Columbia, V6J 1M7. On September 7, 2018, the Company changed its name from Cabernet Capital Corp. to Auralite Investments Inc.

The Company was formed for the primary purpose of completing an Initial Public Offering (“IPO”) on the TSXV as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSXV. As a CPC, the Company’s principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the TSXV (“Qualifying Transaction”).

Auralite completed its Qualifying Transaction on September 7, 2018 to become a Tier 2 investment issuer under the rules of the TSXV (Note 8). As an investment issuer, the Company measures all investments at fair value, irrespective of its percentage ownership of the investment, with gains or losses recognized in profit and loss (Note 3).

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2019 the Company had not realized gains from its investments and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon raising the necessary funds through the selling of investments and issuance of equity or debt sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management believes its working capital will be sufficient to support operations for the next twelve months. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements of the Company were 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”). The policies as set out below were consistently applied to all the periods presented unless otherwise noted.

These financial statements of the Company were approved for issue by the Board of Directors on November 28, 2019.

(b) Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the recognition of deferred income tax assets. Actual results may differ from these estimates. Significant areas requiring the use of judgment in applying the Company's accounting policies include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

(i) Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

(ii) Share-based payments

The Company uses the Black-Scholes Option Pricing Model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price of the Company's shares at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense.

(iii) Investment entity

Management has determined that the Company qualifies for the exemption from consolidation given that the Company has the following typical characteristics of an investment entity:

(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

(d) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Gains and losses are included in results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments

i. Financial assets

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of August 1, 2018, on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company's financial assets on the transition date; therefore, comparative figures have not been restated.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset/ liability	Original classification IAS 39	New classification IFRS 9
Cash	Loans and receivables	Amortized cost
Accounts payable	Amortized cost	Amortized cost

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of comprehensive loss. The Company's investments are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. Elected investments in equity instruments at FVOCI are subsequently measured at fair value, with gains and losses recognized in other comprehensive income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVOCI remain within accumulated other comprehensive income (loss).

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial liabilities at FVPL

After initial recognition, financial liabilities at FVPL are subsequently measured at the end of each reporting period at fair value. Realized and unrealized gains and losses arising from the changes in fair value are included in statement of comprehensive loss in the period in which they arise.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of comprehensive loss.

(f) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(h) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(i) Future accounting change

The Company has not early adopted any new standard including any of the consequential amendments thereto which are effective August 1, 2019 and thereafter. The following standard is applicable to future years:

IFRS 16 Leases:
In January 2016, the IASB issued IFRS16 – Leases which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. This standard will affect the way in which the Company accounts for its operating leases and will increase the related disclosures. The Company's analysis of contracts determined that the adoption of the new standard will result in recognition of a right-of-use asset and lease liability of $80,437.

3. INVESTMENTS

At July 31, 2019 the Company's investment portfolio consisted of two privately-held investments for a total fair value of $397,000.

Share Investments

	EVVO	Champignon	Total
Balance, July 31, 2018	$ -	$ -	$ -
Additions	1,500,000	150,000	1,650,000
Change in fair value	(1,253,000)	-	(1,253,000)
Balance, July 31, 2019	$ 247,000	$ 150,000	$ 397,000

On September 7, 2018, the Company purchased 29,411 shares of EVVO Labs Pte Ltd. ("EVVO") for cash consideration of $1,500,000 (Note 8). At July 31, 2019, the fair value of this investment was $247,000, which was determined by applying a valuation technique based on observable market inputs of comparable companies. The change in fair value of $1,253,000 was recognized a loss in the statement of comprehensive loss.

3. INVESTMENTS (Continued)

On July 11, 2019, the Company subscribed to 2,000,000 shares of Champignon Brands Inc. ("Champignon") for cash consideration of $150,000. At July 31, 2019, the fair value of this investment was $150,000, which was based on the fair value of recent share subscriptions by Champignon.

Debt Investment

On February 26, 2018, the Company entered into an agreement to purchase convertible debentures with an aggregate principal amount of 2,500,000,000 Korean Wan (CAD $2,880,000) issued by Fourth Link Inc. ("Fourth Link"), a company incorporated under the laws of Korea and quoted on the KOSDAQ board of the Korea Stock Exchange. As consideration, the Company issued 168,000,000 common shares on September 7, 2018 (Notes 4 and 8). The convertible debentures are unsecured, mature on February 3, 2020, bear interest at 4% per annum payable every 3 months, and may be converted into common stock of Fourth Link at any time from March 3, 2018 to maturity at a conversion price of 1,532 Korean Wan per common share. The transaction was approved by the TSXV on September 5, 2018. The fair value of the investment on initial recognition was $4,740,476, which was based on the quoted market price of Fourth Link's shares on the closing date.

The Company is pursuing legal action against Fourth Link for the redemption of the debentures since Fourth Link was delisted from the KOSDAQ and the Company is unable to convert its shares. Due to the uncertainty of the Company's ability to recover any value from the debentures, the investment was written off, resulting in a loss of $4,740,476.

4. SHARE CAPITAL

Common shares

The Company has authorized an unlimited number of common shares without par value.

As of July 31, 2019, the Company had 289,197,000 (2018: 100,285,000) common shares outstanding.

Effective January 4, 2019, the Company completed a 4:1 stock split. All share and per share figures in these financial statements have been presented on a post-split basis.

On November 9, 2017, the Company completed its IPO and issued 12,000,000 common shares at $0.025 per share for net proceeds of $255,625 after cash issuance costs. The Company also issued warrants to an agent to acquire 450,000 common shares of the Company at a price of $0.025 per share, expiring November 9, 2019. These agent warrants were determined to have a fair value of $7,911.

On November 30, 2017, 285,000 agent warrants were exercised for proceeds of $7,125. The fair value on grant of $3,758 related to these exercised agent warrants was reclassified from share payment reserve to share capital.

On December 13, 2017, the Company closed a private placement whereby it issued 80,000,000 common shares at $0.025 per share for net proceeds of $1,988,712 after cash issuance costs.

On September 7, 2018, the Company completed its Qualifying Transaction in which it acquired Fourth Link convertible debentures in exchange for 168,000,000 common shares of the Company with a fair value of $4,740,476 (Notes 3 and 8).

In October of 2018, the Company completed a private placement where it issued 22,400,000 common shares for proceeds of $3,500,000.

(Expressed in Canadian dollars)

4. SHARE CAPITAL (Continued)

On November 27, 2018, the Company issued 24,000 common shares for warrants exercised for proceeds of $600. On December 3, 2018, the Company issued 288,000 common shares for warrants exercised for proceeds of $7,201. The fair value on grant of $4,113 related to these exercised warrants was reclassified from share payment reserve to share capital.

On April 16, 2019, the Company purchased and cancelled 1,800,000 shares from its CEO for total consideration of $33,750 (Note 11). The Company reduced share capital for the average book value of the common shares repurchased of $73,800, and charged deficit for the difference between the consideration paid and the average book value.

At July 31, 2019, there were 4,500,000 shares held in escrow (2018: 2,000,000).

Warrants

The following is a summary of warrants outstanding at July 31, 2019:

Number of Shares	Exercise Price	Expiry Date	Exercisable
3,000	$0.025	November 9, 2019	3,000

As at July 31, 2019 the warrants outstanding had a weighted average exercise price of $0.025 and a weighted average life of 0.28 years. Subsequent to July 31, 2019, these warrants expired unexercised.

Stock Options

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five years from the date the common shares are listed on the TSXV. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On November 9, 2017, the Company issued 2,000,000 stock options at a price of $0.025 per share, expiring November 9, 2027. The estimated fair value of the options was $44,804 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 100%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.81%.

During the year ended July 31, 2019, 1,500,000 stock options were cancelled. The estimated fair value of the cancelled stock options was $33,603, which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 100%; an expected life of 10 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.81%.The following table summarizes information about stock options outstanding and exercisable at July 31, 2019:

Number of Shares	Exercise Price	Expiry Date	Exercisable
500,000	$0.025	November 9, 2027	500,000

As at July 31, 2019 the options outstanding had a weighted average exercise price of $0.025 and a weighted average life of 8.28 years.

(Expressed in Canadian dollars)

4. SHARE CAPITAL (Continued)

Share Payment Reserve

The share payment reserve includes stock-based compensation expense related to fair value of stock options granted and also the fair value of warrants issued for services.

5. FINANCIAL INSTRUMENTS AND RISKS

(a) Fair values

The fair values of cash, investments and accounts payable approximate their carrying values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at July 31, 2019 and 2018:

	As at July 31, 2019		
	Level 1	Level 2	Level 3
Cash	$ 3,189,070	$ -	$ -
Restricted cash	115,000	-	-
Share investments	-	397,000	-
	$ 3,304,070	$ 397,000	$ -

	As at July 31, 2018		
	Level 1	Level 2	Level 3
Cash	$ 2,117,855	$ -	$ -

(b) Interest rate

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its restricted cash as these instruments have maturities of one year or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in the market interest rates would have an impact of the Company's net loss of $1,150.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations. Liquidity risk is assessed as high.

(d) 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 exposure to credit risk is on its cash held in bank accounts and on its investments. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk on investments is assessed as high.

(Expressed in Canadian dollars)

5. FINANCIAL INSTRUMENTS AND RISKS (Continued)

(e) Foreign exchange risk

Foreign 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 on its debt investments, which are denominated in South Korean Wan. Foreign exchange risk is assessed as high.

6. CAPITAL MANAGEMENT

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

7. RESTRICTED CASH

Restricted cash balance of $115,000 as of July 31, 2019 relates to the Company's credit card with a financial institution that requires funds to be held in term deposit.

8. QUALIFYING TRANSACTION

On February 26, 2018, the Company signed definitive agreements for the acquisition of 5% of the issued and outstanding shares of EVVO Labs Pte. Ltd. for $1,500,000 and the acquisition of unsecured convertible debentures of Fourth Link Co. Ltd. with a face value of 2,500,000,000 KRW (South Korean Won) (CAD $2,880,000) in exchange for 168,000,000 shares of the Company's common stock (Notes 3 and 4). These investments constituted the Company's Qualifying Transaction.

On September 7, 2018, the Qualifying Transactions was approved and completed.

9. INCOME TAXES

	Year ended July 31, 2019	Year ended July 31, 2018
Net loss before income tax	$ (6,578,929)	$ (287,151)
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	(1,776,311)	(74,659)
Non-deductible items and other	1,634,398	(16,530)
Effect of change in tax rates	(3,806)	
Change in valuation allowance	145,719	91,189
Deferred Income Tax Asset	$ -	$ -

At July 31, 2019, the Company had non-capital losses of $868,108 available for carry forward. At July 31, 2019, management considers it is "more likely than not" that these losses will not be utilized and accordingly no deferred income tax asset has been recognized.

(Expressed in Canadian dollars)

9. INCOME TAXES (Continued)

The temporary differences expire as follows:

	July 31, 2019	July 31, 2018	Expiry
Share issuance costs	$ 38,144	$ 50,859	None
Non-capital losses	868,108	329,790	2037-2039
	$ 906,252	$ 380,649	

10. COMMITMENT

During the year ended July 31, 2018, the Company entered into a rental agreement effective January 31, 2018 in which the Company is to pay $3,000 per month plus GST which increases at a rate of 5% per annum.

The rental agreement term ends January 31, 2022.

11. RELATED PARTY TRANSACTIONS

On April 16, 2019, the Company purchased and cancelled 1,800,000 shares from its CEO for total price of $33,750 (Note 4).

During the year ended July 31, 2019, the Company paid the following advisory and consulting fees:

- $22,050 to Robert Meister, the CEO of the Company;
- $42,000 to Neonlite Pte. Ltd., a consulting company where Alvin Tan, an independent director of the Company is also a director;
- $33,718 to Jason Morton, an independent director of the Company; and
- $1,050 to Peter Nguyen, an independent director of the Company.