Universal mCloud Corp.
Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017

(Unaudited)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statement by an entity's auditors.

Universal mCloud Corp.

Condensed Interim Consolidated Statements of Financial Position

(Stated in Canadian dollars ("$"), unless otherwise noted)
As at:

	Notes		March 31, 2018 (Unaudited)		December 31, 2017 (Audited)
ASSETS					
Current assets					
Cash		$	**1,700,055**	$	**105,759**
Trade and other receivables			**522,517**		**287,961**
Prepaid expenses and deposits			**669,389**		**338,404**
Due from related party	13		**51,578**		**50,183**
Total current assets		$	**2,943,539**	$	**782,307**
Non-current assets					
Deposits			**51,894**		**23,102**
Property and equipment	7		**23,064**		**25,165**
Intangible assets	8		**3,633,866**		**1,722,743**
Goodwill	9		**1,272,227**		**262,152**
Total non-current assets		$	**4,981,051**	$	**2,033,162**
Total assets		$	**7,924,590**	$	**2,815,469**
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables and accrued liabilities		$	**3,002,402**	$	**2,352,906**
Deferred revenue			**209,547**		**409**
Due to related party	13		**37,393**		**111,651**
Current portion of debenture	14		**28,500**		**-**
Business acquisition payable	10		**1,759,300**		**1,563,044**
Total current liabilities		$	**5,037,142**	$	**4,028,010**
Non-current liabilities					
Debenture	14		**84,322**		**-**
Total Liabilities		$	**5,121,464**	$	**4,028,010**
Shareholders' equity (deficiency)					
Share capital	11	$	**10,303,454**	$	**4,736,577**
Contributed surplus			**299,922**		**121,922**
Accumulative other comprehensive income			**70,489**		**138,518**
Deficit			**(7,870,739)**		**(6,209,558)**
Total shareholders' equity (deficiency)		$	**2,803,126**	$	**(1,212,541)**
Total liabilities and shareholders' equity (deficiency)		$	**7,924,590**	$	**2,815,469**

Going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

Approved by the Board of Directors:

"Russ McMeekin"	*"Michael Sicuro"*
Director	Director

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Universal mCloud Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian dollars (“$”), unless otherwise noted)

Unaudited

For the three months ended March 31,

	Notes		2018		2017
Revenue		**$**	**693,155**	$	-
Cost of sales		**$**	**(113,240)**	$	-
Gross margin		**$**	**579,915**	$	-
Expenses					
Salaries, wages and benefits		**$**	**858,249**	$	13,238
Sales, travel and business development			**720,781**		-
Consulting fees			**173,539**		132,380
Research and development			**41,930**		-
General and administrative			**133,467**		26,833
Professional fees			**149,770**		-
Depreciation and amortization	7, 8		**118,851**		-
Foreign exchange loss			**44,509**		-
Loss on settlement of convertible notes			**-**		75,457
Total expenses		**$**	**2,241,096**	$	247,908
Net loss for the period		**$**	**(1,661,181)**	$	(247,908)
Other comprehensive income:					
Foreign exchange translation difference			**(68,029)**		(1,349)
Net loss and comprehensive loss for the period		**$**	**(1,729,210)**	$	(249,257)
Loss per share					
Basic and diluted	12	**$**	**(0.03)**	$	(0.01)

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Universal mCloud Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Stated in Canadian dollars ("$"), unless otherwise noted)

Unaudited

	Notes	Share [1] capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity (deficiency)
Balance at December 31, 2017		$ 4,736,577	$ 121,922	$ 138,518	$ (6,209,558)	$ (1,212,541)
Shares issued for cash, net of issuance costs	11	3,666,877	178,000	-	-	3,844,877
Share issued on business combination	6	1,900,000	-	-	-	1,900,000
Net loss and comprehensive loss for the period		-	-	(68,029)	**(1,661,181)**	**(1,729,210)**
Balance at March 31, 2018		**$10,303,454**	**$ 299,922**	**$ 70,489**	**$ (7,870,739)**	**$ 2,803,126**

	Notes	Share [1] capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity (deficiency)
Balance at December 31, 2016		$ 167	$ -	$ -	$ -	$ 167
Net loss and comprehensive loss for the period		-	-	(1,349)	(247,908)	(249,257)
Balance at March 31, 2017		**$ 167**	**$ -**	**$ (1,349)**	**$ (247,908)**	**$ 249,090**

(1) On September 14, 2017, the Company completed a 14.15971678 to 1 forward share split of the outstanding common shares. All references to share numbers in these unaudited condensed interim consolidated financial statements reflect the forward share split.

Universal mCloud Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian dollars ("$"), unless otherwise noted)
Unaudited
For the three months ended March 31,

	Notes		2018		2017
Cash flows related to the following activities:					
Operating activities					
Net loss		**$**	**(1,661,181)**	$	(247,908)
Items not affecting cash:					
Depreciation and amortization	7, 8		**118,851**		-
Loss on settlement of convertible notes			**-**		75,457
Change in non-cash working capital items:					
Trade and other receivables		**$**	**(122,714)**	$	-
Prepaid expenses and deposits			**(270,510)**		-
Trade payables and accrued liabilities			**490,410**		-
Deferred revenue			**(196,679)**		-
Net cash used in operating activities		**$**	**(1,641,823)**	$	(172,451)
Investing activities					
Acquisition of intangible assets	8	**$**	**(364,686)**	$	-
Cash received on business acquisition	6		**362,043**		-
Net cash used in investing activities		**$**	**(2,643)**	$	-
Financing activities					
Proceeds from convertible notes		**$**	**-**	$	226,270
Proceeds from issuance of common shares, net of issuance costs	11		**3,844,877**		-
Payments of business acquisition payable	10		**(454,728)**		-
Advances from related party – net	13		**(75,653)**		-
Net cash from financing activities		**$**	**3,314,496**	$	226,270
Effect of foreign exchange rate fluctuation			**(75,734)**		(939)
Increase in cash		**$**	**1,670,030**	$	53,819
Cash at the beginning of the period			**105,759**		167
Cash at the end of the period		**$**	**1,700,055**	$	53,047

1. Reporting entity

Universal Ventures Inc. ("Universal") was incorporated pursuant to the British Columbia Business Corporations Act on December 21, 2010. On October 13, 2017, Universal completed a merger with mCloud Corp. ("mCloud") whereby Universal issued 35,844,296 common shares to the shareholders of mCloud, resulting in mCloud's shareholders controlling Universal and therefore constituting a reverse takeover of Universal (the "Transaction" or "RTO"). In conjunction with the Transaction, Universal changed its name to Universal mCloud Corp. (the "Company").

mCloud was incorporated under the laws of the State of Delaware on December 17, 2016. The Company is headquartered in Vancouver, British Columbia with technology and operations centers in San Francisco, California and Bristol, Pennsylvania. The Company is an IoT connected asset care cloud solution company utilizing connected IoT devices, leading deep energy analytics, secure mobile and 3D technologies that rally all asset stakeholders around an Asset-Circle-of-Care™, providing complete real-time and historical data coupled with guidance and advice based on deep analytics and diagnostics resulting in optimal performance and care of critical equipment.

The head office of the Company is located at 1500 – 855 W Georgia Street, Vancouver, British Columbia, V6C 3E8 while the registered office is located at 580 California Street, San Francisco, CA 94104 USA.

On February 15, 2017, the Company incorporated mCloud Technologies (Canada) Inc. as a wholly owned subsidiary pursuant to the laws of the province of British Columbia.

On March 8, 2018, the Company acquired all of the issued and outstanding shares of NGRAIN (Canada) Corporation ("NGRAIN") (Note 6). NGRAIN operates in Canada and the United States of America and brings artificial intelligence ("AI") technologies to damage assessment, serving customers in the insurance, aerospace and defense sectors. Incorporated in 2000, NGRAIN has helped organizations transform their maintenance and inspection practices through the use of AI and 3D technologies.

Going concern

These unaudited condensed interim financial statements have been prepared on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company generated a net loss of $1,661,181 and utilized cash of $1,641,823 in operations during the three months ended March 31, 2018. As at March 31, 2018, the Company had a working capital deficit of $2,093,603. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to increase the number of assets under care, continue with expansion in the asset care market and be able to settle its liabilities as and when they become due.

The ability of the Company to be successful in obtaining additional future financing, if required, cannot be predicted at this present time. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Subsequent to March 31, 2018, the Company was successful in closing a non-brokered private placement equity raise that provided gross proceeds of $5.5 million (Note 18).

2. Basis of accounting

These unaudited condensed interim financial statements ("interim financial statement") have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Company's last annual financial statements as at and for the year ended December 31, 2017 ("last annual financial statements"). They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

This is the first set of the Company's financial statements where IFRS 9 and IFRS 15 has been applied. Changes to significant accounting policies are described in Note 4.

These interim financial statements are presented in Canadian dollars ("$"), which is the Company's functional currency. The functional currency of Universal, mCloud Technologies (Canada) Inc. and NGRAIN (Canada) Corporation is the Canadian dollar while the United States dollar is the functional currency of mCloud, Field Diagnostic Services, Inc. ("Field") and NGRAIN (US) Corporation.

(Stated in Canadian dollars ("$"), unless otherwise noted)

These interim financial statements were approved and authorized for issuance by the Board of Directors on May 29, 2018.

Basis of consolidation

These interim financial statements include the accounts of the Company and its subsidiaries which are consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation.

Details of the entities contained in these interim financial statements are as follows:

Entity	Principle activity	Place of business and operations	Equity percentage
Universal mCloud Corp.	Parent company	Canada	
mCloud Corp.	Operating company	United States	100%
mCloud Technologies (Canada) Inc.	Operating company	Canada	100%
Field Diagnostic Services, Inc. ("Field")	Operating company	United States	100%
NGRAIN (Canada) Corporation	Operating company	Canada	100%
NGRAIN (US) Corporation	Operating company	United States	100%

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. Changes in significant accounting policies

IFRS 9 *Financial Instruments:*

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39 – Financial Instruments – Recognition and Measurement (IAS 39) with a new measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and related dividends which will now limit recognition to fair value through profit or loss or at fair value through other comprehensive income.

Requirements for financial liabilities were also added in October 2010 but they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The standard is required to be applied for years beginning on, or after, January 1, 2018. The Company has adopted this standard and concluded that there is a minimal impact on the interim and annual consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers:*

IFRS 15 replaces the previous guidance on revenue recognition and provides a framework to record revenue from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRS standards. Under IFRS 15, revenue is to be recognized to depict the transfer of goods or services in an amount that reflects the consideration to which the entity expects to be entitled following five steps:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard is effective for annual periods beginning on or after January 1, 2018, using either a full retrospective approach for all periods presented in the period or a modified retrospective approach. The Company has adopted this standard and concluded that there is a minimal impact on the interim and annual consolidated financial statements.

5. Recently issued accounting standards not yet applied

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize all leases on the statement of Financial Position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is currently evaluating the impact of the standard on its interim and annual consolidated financial statements.

(Stated in Canadian dollars ("$"), unless otherwise noted)

6. Business combination

On March 8, 2018, the Company acquired all of the issued and outstanding shares of NGRAIN (Canada) Corporation ("NGRAIN"), from arm's length parties (the "Acquisition").

Consideration given consisted of:

i. $300,000 paid in cash on the Closing Date
ii. The issuance of a promissory note in the principal amount of $307,500, maturing on May 15, 2018;
iii. The issuance of 5,250,000 common shares of the Company having an aggregate value equal to $1,900,000; and
iv. Payment or receipt of the difference between actual working capital and a target working capital of nil;

Management of the Company has made a preliminary determination of the fair value of the tangible and intangible assets acquired and liabilities assumed in the Acquisition. The fair value of the intangible assets has been measured provisionally and if new information obtained within one year of the date of the Acquisition about the facts and circumstances that existed at the date of the acquisition identifies adjustments to the amounts then the accounting for the Acquisition will be revised.

The final allocation of the fair value of the net assets acquired and aggregate consideration may be different from the preliminary allocation as presented below:

Fair value of net assets acquired:	
Net working capital deficiency, including cash of $362,043	$ (1,751)
Intangible assets – customer relationships	1,245,250
Intangible assets – technology	373,250
Goodwill	1,002,782
Total net assets acquired	**$2,619,531**

Consideration given:	
Cash on closing	$ 300,000
Issuance of shares	1,900,000
Vendor note	307,500
Assumption of debenture	112,031
Total consideration	**$2,619,531**

Goodwill arising from the acquisition of NGRAIN is attributable to the assembled workforce and the synergies that the Company will obtain. Those assets do not meet the recognition criteria prescribed by IFRS 3 *Business Combinations*, and therefore have not been recognized as separate intangible assets.

<u>Future anticipated transaction</u>

On December 20, 2017, the Company signed a letter of intent ("LOI") to purchase 100% of CSA, Inc. ("CSA"), an arm's length technology development company with operations in the United States and Slovakia. Total anticipated consideration for the acquisition is USD$4.8 million comprised of USD$2.4 million shares of the Company and cash of up to USD$2.4 million including performance over based payments. Completion of the transaction is subject to finalization of due diligence by the parties and approval of TSX Venture Exchange and is expected to close during 2018.

(Stated in Canadian dollars ("$"), unless otherwise noted)

7. Property and equipment

Cost	Office equipment and machinery	Leasehold improvements	Computers and software	Total
Balance at December 31, 2017	$ 886	$23,420	$7,214	$31,520
Foreign currency translation	25	652	200	877
Balance at March 31, 2018	**$ 911**	**$24,072**	**$7,414**	**$32,397**
Accumulated depreciation				
Balance at December 31, 2017	$ 138	$4,773	$1,444	$6,355
Depreciation	60	2,064	624	2,748
Foreign currency translation	5	173	52	230
Balance at December 31, 2018	**$ 203**	**$7,010**	**$2,120**	**$9,333**
Carrying amounts				
Balance at December 31, 2017	$ 748	$18,647	$5,770	$25,165
Balance at March 31, 2018	**$ 708**	**$17,062**	**$5,294**	**$23,064**

8. Intangible assets

Cost	Patents and trademark	Customer relationships	Technology	Total
Balance at December 31, 2017	$177,006	$ 862,781	$ 886,643	$1,926,430
Additions through acquisition (Note 6)	-	1,245,250	373,250	1,618,500
Other additions*	-	-	364,686	364,686
Foreign currency translation	4,824	22,828	23,926	51,578
Balance at March 31, 2018	**$181,830**	**$2,130,859**	**$1,648,505**	**$3,961,194**
Accumulated Amortization				
Balance at December 31, 2017	$12,266	$94,513	$96,908	$203,687
Amortization	5,727	61,575	48,801	116,103
Foreign currency translation	452	3,501	3,585	7,538
Balance at March 31, 2018	**$18,445**	**$159,589**	**$149,294**	**$327,328**
Carrying amounts				
Balance at December 31, 2017	$164,740	$768,268	$ 789,735	$1,722,743
Balance at March 31, 2018	**$163,385**	**$1,971,270**	**$1,499,211**	**$3,633,866**

* The Company is investing in IoT connected asset care cloud technologies to broaden its solution suite and support all asset stakeholders around an Asset-Circle-of-Care™. In the three months ended March 31, 2018, the Company incurred $303,940 of development expenses relating to IoT, cloud and other related technologies, which were capitalized. The technology has not reached commercialization, and the Company has not recorded an amortization expense during the quarter (2017 – nil).

In the three months ended March 31, 2018, the Company also acquired intellectual property related to wind turbine technology for $60,746. The Company recorded an amortization expense of $2,978 during the quarter (2017-nil).

There were no indicators of impairment as at March 31, 2018.

(Stated in Canadian dollars ("$"), unless otherwise noted)

9. Goodwill

Balance, December 31, 2017	**$ 262,152**
Acquisition (Note 6)	**1,002,782**
Foreign currency translation	**7,293**
Balance, March 31, 2018	**$1,272,227**

10. Business acquisition payable

Balance at December 31, 2017	**$1,563,044**
Acquisition (Note 6)	**607,500**
Payment (Note 6)	**(300,000)**
Payment*	**(154,728)**
Foreign currency translation	**43,484**
Balance at March 31, 2018	**$1,759,300**

* Payment relates to the Company's acquisition of Field which was completed in 2017.

11. Share capital

Authorized: an unlimited number of voting common shares, no par value.

Shares and warrants issued:

	Number of shares	
Balance at December 31, 2017	43,066,375	**$ 4,736,577**
Shares issued for cash, net of issuance costs (i) (ii)	12,137,923	**3,666,877**
Consideration for the Acquisition (Note 6)	5,250,000	**1,900,000**
Balance at March 31, 2018	**60,454,298**	**$10,303,454**

	Number of shares	
Balance at December 31, 2016 and March 31, 2017	**17,500,000**	**$ 167**

(i) On February 15, 2018, the Company closed a non-brokered private placement and issued 6,110,641 Units ("Unit") at a price of $0.35 per Unit for aggregate gross proceeds of approximately $2.1 million. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company, with each warrant exercisable at a price of $0.45 per share for a period of 36 months following closing, subject to accelerated expiration if the 10-day weighted average trading price of the Company's common shares is at any time greater than $0.80.

The Agent received a cash commission of $77,745 and was issued 270,240 agent warrants having a value of $72,000* exercisable for 24 months for one common share at a price of $0.35 per common share. Other share issue costs totaled $116,331.

* The Black-Scholes option model was used in calculating the fair value of the agents warrants using a nil dividend yield, an interest rate of 1.84% and an expected volatility of 150%.

(Stated in Canadian dollars ("$"), unless otherwise noted)

(ii) On March 19, 2018, the Company closed a brokered private placement and issued 6,027,282 Units ("Unit") at a price of $0.35 per Unit for aggregate gross proceeds of approximately $2.1 million. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company, with each warrant exercisable at a price of $0.45 per share for a period of 36 months following closing, subject to accelerated expiration if the 10-day weighted average trading price of the Company's common shares is at any time greater than $0.80.

The Agent received a cash commission of $147,668 and was issued 421,910 agent warrants having a value of $106,000* exercisable for 24 months for one common share at a price of $0.45 per common share. Other share issue costs totaled $61,652.

** The Black-Scholes option model was used in calculating the fair value of the agents warrants using a nil dividend yield, an interest rate of 1.78% and an expected volatility of 150%.

Escrow

On the date of the RTO, the Company had a total of 24,757,224 common shares that were subject to escrow conditions. As at March 31, 2018, the Company has 22,282,138 common shares subject to escrow conditions whereby 10% of the shares were released on the date of the final Exchange Bulletin. An additional 15% of the escrow common shares will be released on each six-month anniversary date thereafter unless otherwise permitted by the Exchange.

Warrants

The following summarizes warrant transactions for the three months ended March 31, 2018:

	Number of warrants	**Weighted average exercise price**
Balance at December 31, 2017	9,950,971	$0.46
Warrants issued on unit offerings	6,068,962	$0.45
Agent warrants issued	270,240	$0.35
Agent warrants issued	421,910	$0.45
Other agent warrants issued	31,744	$0.45
Balance at March 31, 2018	**16,743,827**	**$0.45**

Outstanding warrants as at March 31, 2018 were as follows:

	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**
Granted with unit offerings	**15,850,533**	**$0.46**	**2.27**
Granted to Agent	**893,294**	**$0.43**	**1.88**
Balance at March 31, 2018	**16,743,827**	**$0.45**	**2.25**

(Stated in Canadian dollars ("$"), unless otherwise noted)

Options outstanding at March 31, 2018

	Number	Weighted average exercise price	Weighted average remaining contractual life
Balance at March 31, 2018	**510,000**	**$0.35**	**1.68**
Exercisable at March 31, 2018	**510,000**	**$0.35**	**1.68**

12. Loss per share

Basic loss per share

	Three months ended March 31, 2018	Three months ended March 31, 2017
Loss for the period attributable to ordinary equity holders	**$ (1,661,181)**	$ (247,908)
Weighted average number of common shares for the purposes of basic loss per share	**48,199,104**	17,500,000
Basic loss per share	**$ (0.03)**	$ (0.01)

Diluted loss per share

Share options and warrants were anti-dilutive during the three months ended March 31, 2018 and 2017.

13. Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as being the Chief Executive Officer, Chief Financial Officer, and Chief Growth Officer.

For the three months ended March 31, 2018, key management personnel compensation included salaries, wages and benefits expenses on the consolidated interim statements of loss and comprehensive loss was $237,131 (three months ended March 31, 2017 – $26,833).

Profit sharing plan

The Company has a profit sharing/401(k) plan covering all employees that meet certain eligibility requirements. Under the plan, participants may contribute up to 15% of their annual compensation up to the allowable limits. During the three months ended March 31, 2018, the Company contributed $11,470 (three months ended March 31, 2017 – Nil) which is included in salaries, wages and benefits on the consolidated interim statements of loss and comprehensive loss.

Due from related party

The Company has an unsecured demand note receivable with a former shareholder of Field bearing interest at 2% per annum.

Due to related party

The due to related party is an amount due to an officer of the Company and is due on demand, unsecured and bears no interest.

Transactions with related parties are in the normal course of operations and are recorded at fair value.

(Stated in Canadian dollars ("$"), unless otherwise noted)

14. Debenture

The balance as at March 31, 2018 is as follows:

	As at March 31, 2018
Debenture payable to Industry Canada in annual instalments of $28,500, commencing on June 30, 2018, due 2022	**$ 142,500**
Fair value adjustment	**(38,943)**
Imputed interest	**9,265**
Less: Current portion of debenture	**(28,500)**
	$ 84,322

The debenture was acquired as part of the business acquisition (note 6), carries no interest and are repayable in equal payment over 5 years as summarized in the table below:

Year	
2018	$ 28,500
2019	28,500
2020	28,500
2021	28,500
2022	28,500
	$142,500

15. Capital management

The Company's capital consists of share capital. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

16. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks. The Company is exposed to credit risk and liquidity risk because of holding certain financial instruments. The Company is not exposed to market risk (interest rate, or other price) as it does not hold financial instruments that exposed the Company to market risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management, in particular, the Board of Directors.

Fair value

The Company's financial instruments consist of cash, trade and other receivables, due from related party, trade payables and accrued liabilities, due to related party, debenture and business acquisition payable. The carrying amounts of these items approximate their fair value due to their short period to maturity.

IFRS establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities included in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair value of assets and liabilities in Level 2 are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair value of assets and liabilities in Level 3 are determined based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company's cash balance is subject to level 1 valuation. The Company's debenture and business acquisition payable are subject to level 2 valuation. The risk from the due from related party is limited as it is with senior management of Field.

(Stated in Canadian dollars ("$"), unless otherwise noted)

Credit risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash, trade and other receivables and due from related party. The credit risk relating to cash balances is limited because the counterparty are large commercial banks in the United States and Canada.The amounts reported for trade and other receivables in the statement of financial position is net of allowances for doubtful accounts and bad debts and the net carrying value represents the Company's maximum exposure to credit risk.

Trade and other receivables credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the utility and defence industry and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date.

At March 31, 2018, $nil in trade and other receivables were written off due to doubts of their collectability. Management has made an assessment and believes that the amount that is greater than 90 days is recoverable in full hence no provision for doubtful debts is considered necessary.

The following table sets forth details of the aging profile of trade and other receivables as at March 31, 2018:

Current (for less than 30 days)	**$ 491,336**
31 – 60 days past due	**14,664**
61 – 90 days past due	**-**
Greater than 90 days	**16,517**
Trade and other receivables	**$ 522,517**

During the three months ended March 31, 2018, 68% of revenues were generated from three customers.

As at March 31, 2018, four customers accounted for 73% of trade and other receivables, each with balances greater than 10%.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from operations or key management to provide sufficient liquidity to meet budgeted operating requirements.

The following table sets forth details of the aging profile of financial liabilities as at March 31, 2018 based on their undiscounted cash flows:

	<1 year	**1-2 years**	**>2years**	**Total**
Trade payables and accrued liabilities	$3,002,402	$ -	$ -	$3,002,402
Due to related party	37,393	-	-	37,393
Debenture	28,500	28,500	85,500	142,500
Business acquisition payable	1,759,300	-	-	1,759,300
	$4,827,595	**$28,500**	**$85,500**	**$4,941,595**

The Company has current assets of $2,943,539 to satisfy its financial liabilities and therefore will have to generate sources of cash through positive operating cash flows, equity and/or other financing (Note 1) to satisfy liabilities as they come due.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in Canadian dollars, which exposes the Company to fluctuating balances and cash flows due to variations in foreign exchange rates.

The Canadian dollar ("$") equivalent of monetary assets and monetary liabilities balances denominated in United States Dollars ("US dollars") as at March 31, 2018 is follows:

Cash	**$ 1,072,140**
Trade and other receivables	**489,265**
Due from related party	**51,578**
	$ 1,612,983
Trade payables and accrued liabilities	**$(2,560,199)**
Due to related party	**(37,393)**
Business acquisition payable	**(1,451,800)**
	$(4,049,392)
Net balance denominated in US dollars stated in equivalent Canadian dollars $	**$(2,436,409)**

Assuming all other variables remain constant, a fluctuation of +/- 5% percent in the exchange rate between the United States dollar and the foreign currency exchange fluctuation would impact profit or loss for the period by approximately $121,821 (2016 - $nil).

To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

17. Commitments

Leases

The Company has the following lease commitments:

(a) A lease relating to the office space in Bristol, Pennsylvania under a non-cancelable operating lease that expires in 2020. The future minimal annual rental payments for the period remaining under the operating lease as at March 31, 2018 are as follows:

	$
2018	28,743
2019	104,284
2020	53,190

(b) A lease relating to the office space in Vancouver, Canada that was signed on March 9, 2018 under a 5-year non-cancelable operating lease commencing September 1, 2018. Under the lease terms, the Company is required to pay the basic rent and additional rent comprising (i) any taxes payable by the landlord to be recharged to the Company; and (ii) services/utilities costs incurred by landlord to be recharged to the Company. The basic annual rent is as follows:

- For the period from September 1, 2018 to August 31, 2019 - $59,410.00
- For the period from September 1, 2019 to August 31, 2020 - $60,552.50
- For the period from September 1, 2020 to August 31, 2021 - $61,695.00

- For the period from September 1, 2021 to August 31, 2022 - $62,837.50
- For the period from September 1, 2022 to August 31, 2023 - $63,980.00

The lease agreement required the Company to make a security deposit of $58,265.79, which was paid in May 2018. This security deposit will be utilized against future basic and additional rent payable by the Company as per the lease agreement.

18. Subsequent events

On May 1, 2018, the Company announced the commencement of a non-brokered private placement of up to 5,714,285 units or gross proceeds of $2,000,000. On May 14, 2018 the Company closed the initial tranche of the capital raise issuing 2,426,857 Units at a price of $0.35 per Unit for aggregate gross proceeds of $849,400. In the same announcement, the Company also upsized the total private placement to $4,000,000 or 11,428,570 units. Upon closing on May 24, 2018, the Company announced that it had closed the non-brokered private placement with the Company issuing a total of 15,716,287 units at a price of $0.35 per unit for total aggregate proceeds of $5,500,702. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company, with each warrant exercisable at a price of $0.45 per share for a period of 36 months following closing, subject to accelerated expiration if the 10-day weighted average trading price of the Company's common shares is at any time greater than $0.80.

As consideration for services provided, finders agents will receive:

- Cash commission equal to 7% of the gross proceeds raised from subscribers introduced by the finder; and
- Finder warrants equal to 7% of the number of Units sold to subscribers introduced by the finder. Each finder warrant will be exercisable at a price of $0.35 per share for a period of two years from the date of issuance.