

BEXAR VENTURES INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

and

THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bexar Ventures Inc.,

We have audited the accompanying financial statements of Bexar Ventures Inc., which comprise the statements of financial position as at September 30, 2018 and 2017 and the statements of operations and comprehensive loss, cash flows and changes in shareholder's deficiency for the year ended September 30, 2018 and period from incorporation on January 31, 2017 to September 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bexar Ventures Inc. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses since inception and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS



Vancouver, Canada
February 8, 2019

BEXAR VENTURES INC.**STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2018 AND 2017**(Expressed in Canadian dollars)

	Note	2018	2017
Assets			
Current Assets			
Cash and cash equivalents		\$ 713	\$ 12,555
Amounts receivable	5	40,329	34,570
Prepaid project development costs		22,750	-
Prepaid restructuring costs	4, 10	-	43,560
Due from ACT360	10	77,678	-
		<u>141,470</u>	<u>90,685</u>
Intangible assets	4, 6	1	-
		<u>\$ 141,471</u>	<u>\$ 90,685</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 19,018	\$ 8,734
Unearned revenue		10,269	2,669
Due to Kona Bay	10	3,559	50,099
Due to Hapuna	10	-	25,000
Due to ACT360	10	-	21,779
		<u>32,846</u>	<u>108,281</u>
Promissory note payable	4, 7	209,577	-
		<u>242,423</u>	<u>108,281</u>
Shareholders' Deficiency			
Share capital	8	292,701	1
Share subscriptions received	8	-	32,500
Deficit		(393,653)	(50,097)
Total Deficiency		<u>(100,952)</u>	<u>(17,596)</u>
Total Liabilities and Shareholders' Deficiency		<u>\$ 141,471</u>	<u>\$ 90,685</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON February 8, 2019

"Dickson Hall"

Director

"Vincent Wong"

Director

The Accompanying Notes are an Integral Part of the Financial Statements

BEXAR VENTURES INC.**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017**(Expressed in Canadian dollars)

	Note	2018	2017
Revenue			
Custom software development	15	\$ 168,800	\$ 31,632
Hosting	15	167,398	-
		<u>336,198</u>	<u>31,632</u>
Expenses			
Accounting and legal	10	40,234	8,344
Consulting	10, 12	56,300	-
Corporate development		7,937	-
Foreign exchange loss (gain)		(8,793)	121
Interest expense	7	9,577	-
Management fees	10	48,000	-
Project development costs		26,250	-
Regulatory and filing fees		21,222	-
Selling, office and general		52,785	45
Wages and benefits	10	177,368	21,779
		<u>430,880</u>	<u>30,289</u>
Income (loss) before other items		(94,682)	1,343
Other Items			
Writedown of intangible assets	6	(199,999)	-
Restructuring costs	4, 10	(48,875)	(51,440)
Net and comprehensive loss for the period		\$ (343,556)	\$ (50,097)
Loss per share		\$ (0.10)	\$ (50,097)
Weighed average number of common shares outstanding		3,409,055	1

The Accompanying Notes are an Integral Part of the Financial Statements

BEXAR VENTURES INC.**STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017**(Expressed in Canadian dollars)

	2018	2017
Operating Activities		
Net loss for the period	\$ (343,556)	\$ (50,097)
Items not involving cash:		
Interest accrued on promissory note payable	9,577	-
Writedown of intangible assets	199,999	-
Changes in non-cash working capital items:		
Amounts receivable	(5,759)	(34,570)
Prepayment of restructuring costs	43,560	-
Accounts payable and accrued liabilities	10,284	8,734
Unearned revenue	7,600	2,669
Due to Kona Bay	3,559	-
Due to (from) ACT360	(99,457)	21,779
Cash used in operating activities	<u>(174,193)</u>	<u>(51,485)</u>
Financing Activities		
Issuance of common stock	262,500	1
Share issue costs	(2,300)	-
Share subscriptions received	-	32,500
Due to Kona Bay	(50,099)	50,099
Due to Hapuna	(25,000)	25,000
Cash provided by financing activities	<u>185,101</u>	<u>107,600</u>
Investing Activities		
Prepayment of project development costs	(22,750)	-
Prepayment of restructuring costs	-	(43,560)
Cash used in investing activities	<u>(22,750)</u>	<u>(43,560)</u>
Change in cash and cash equivalents	(11,842)	12,555
Cash and cash equivalents, beginning of the period	12,555	-
Cash and cash equivalents, end of the period	<u>\$ 713</u>	<u>\$ 12,555</u>
Supplementary Cash Flow Information		
Transfer of intangible assets on closing of Arrangement	\$ 200,000	\$ -
Issuance of promissory note payable on closing of Arrangement	\$ 200,000	\$ -

The Accompanying Notes are an Integral Part of the Financial Statements

BEXAR VENTURES INC.**STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY****FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017**(Expressed in Canadian dollars)

	Note	Share Capital		Share Subscriptions Received	Deficit	Total Shareholders' Deficiency
		Number of Common Shares	Amount			
Balance at January 31, 2017		-	\$ -	\$ -	\$ -	\$ -
Incorporation share issued	8	1	1	-	-	1
Share subscriptions received	8	-	-	32,500	-	32,500
Net loss for the period		-	-	-	(50,097)	(50,097)
Balance at September 30, 2017		1	\$ 1	\$ 32,500	\$ (50,097)	\$ (17,596)
Shares issued on closing of Arrangement	4, 8	4,761,199	-	-	-	-
Consolidation of shares on a 2 for 1 basis	4, 8	(2,380,599)	-	-	-	-
Private placements	8	2,950,000	295,000	(32,500)	-	262,500
Share issue costs	8	-	(2,300)	-	-	(2,300)
Net loss for the year		-	-	-	(343,556)	(343,556)
Balance at September 30, 2018		5,330,601	\$ 292,701	\$ -	\$ (393,653)	\$ (100,952)

The Accompanying Notes are an Integral Part of the Financial Statements

BEXAR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Bexar Ventures Inc. (the "Company") was incorporated under the provisions of the Company Act of British Columbia on January 31, 2017, as a wholly-owned subsidiary of Kona Bay Technologies Inc. ("Kona Bay").

The Company is a software development company that specializes in online testing platforms for training and high-stakes applications. The Company designs, develops and manages the platform for higher education clients with multiple campus locations and complex requirements. The address of the Company's corporate office and its principal place of business is 8186 200 – 375 Water Street, Vancouver, BC, V6B 0M9.

On February 28, 2017, the Company entered into an Arrangement Agreement (the "Agreement") with Kona Bay, ACT360 Media Ltd. ("ACT360") and Hapuna Ventures Inc. ("Hapuna") for the purposes of carrying out a corporate restructuring by way of a Plan of Arrangement (the "Arrangement" or the "POA") pursuant to Section 288 of the Business Corporations Act (British Columbia).

On April 24, 2017, the shareholders of Kona Bay unanimously approved the POA. On April 28, 2017, the Supreme Court of British Columbia granted the final order approving the POA.

On December 13, 2017, the POA closed and the software-as-a-service assets were transferred to the Company by Kona Bay and ACT360 and 4,761,199 common shares of the Company were issued to Kona Bay. In conjunction with the closing of the POA, the Company consolidated its common shares on the basis of one post-consolidation common share for every two pre-consolidation common shares.

On December 14, 2017, Kona Bay exchanged the 4,761,199 common shares of the Company for the Class A shares outstanding as of December 13, 2017.

On March 27, 2018, the Company obtained a listing on the Canadian Stock Exchange under the symbol "BXV".

These financial statements have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a deficit of \$393,653 since inception. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating commitments as they come due and generating profitable operations in the future. These conditions indicate the existence of material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are set out in Note 3. The financial statements are presented in Canadian dollars unless otherwise stated.

2. BASIS OF PREPARATION (continued)

c) Presentation and Functional Currency

These financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Critical accounting judgments, estimates and assumptions – 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 and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

Critical Judgments

Going concern of operations

Management has made the determination that the Company will continue as a going concern for the next year.

Intangible assets

The application of the Company’s accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an intangible asset is capitalized, information becomes available suggesting that the recovery of the value of the asset is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

Revenue Recognition

The application of the Company’s accounting policy for revenue recognition for customer software development requires judgement in determining the percentage of completion.

Estimates

Allocation of expenses

Kona Bay and ACT360 incur, either directly or indirectly, wages, benefits and other costs on behalf of the Company. Judgement is required in determining the amounts that are allocated to the Company.

Foreign currency translation – The functional and presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents. The Company did not have any cash equivalents at September 30, 2018 and 2017.

Intangible assets - intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of operations and comprehensive loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of operations and comprehensive loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Customer Relationships – Software Development	Customer Relationships - Hosting
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over three years	Amortized on a straight-line basis over three years

Share issuance costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

Income taxes - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred income tax assets are recognized to the extent that management has determined it is probable to be realized.

Revenue recognition – The Company develops and hosts software products for customers. Revenues from the development of custom software products is recognized by the stage of completion of the arrangement determined using the percentage of completion method or as such services are performed as appropriate in the circumstances. The revenue and profit of contracts is recognized on a percentage of completion basis when the outcome of a contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion. Hosting revenues are recognized on a monthly basis if collection is probable.

Share-based payments - The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period. Agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

Earnings (Loss) per share - The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of in-the-money stock options and warrants. For the years presented, the existence of stock options affects the calculation of loss per share on a fully diluted basis.

Development costs – Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the year.

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities, promissory note payable and due to/from related parties. At initial recognition management has classified financial assets and liabilities as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial assets

The Company has classified its cash as FVTPL. A financial instrument is classified as FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments classified as FVTPL are measured at fair value and changes therein are recognized in income. The Company has classified its trade accounts receivable as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method. The Company has not classified any financial assets as held to maturity or as available for sale.

b) Financial liabilities

The Company has classified its accounts payable and accrued liabilities and promissory note payable as other financial liabilities. Accounts payable and accrued liabilities are recognized at the amount required to be paid, less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Recent Accounting Pronouncements

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Company:

Standard	Title	Applicable for financial years beginning on/after
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

The Company has not early adopted the new standards.

Under IFRS 9, financial assets are required to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 provides a three-stage expected credit loss model for calculating impairment for financial assets. Expected credit losses are required to be recognized when financial instruments are initially recognized, and the amount of expected credit losses recognized are required to be updated at each reporting date to reflect changes in the credit risk of the financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On initial recognition, IFRS 9 requires financial liabilities to be classified as subsequently measured at amortized cost except for when one of the specified exceptions applies.

Under IFRS 15, there is a requirement to apply a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

Under IFRS 16, virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, leased assets ("right-of-use" assets) and the related lease liability will be required to be recognized on the statement of financial position.

4. CLOSING OF THE ARRANGEMENT

On January 31, 2017, Kona Bay incorporated two wholly-owned subsidiaries, including the Company and Hapuna.

On February 28, 2017, the Company entered into an Arrangement Agreement (the "Agreement") with Kona Bay, and ACT360 Media Ltd. ("ACT360") for the purposes of carrying out a corporate restructuring by way of a Plan of Arrangement (the "Arrangement" or the "POA") pursuant to Section 288 of the Business Corporations Act (British Columbia). On April 24, 2017, the shareholders of Kona Bay unanimously approved the POA. On April 28, 2017, the Supreme Court of British Columbia granted the final order approving the POA. On December 13, 2017, the POA closed.

Pursuant to the Arrangement:

- all of the issued and unissued common shares of Kona Bay became Class A shares and a new class of common shares was created;
- 4,671,199 common shares of the Company were issued to Kona Bay;
- each outstanding Class A share of Kona Bay was exchanged for one new common share of Kona Bay, one common share of the Company and one common share of Hapuna and the Class A shares were cancelled;
- the Company consolidated its common shares on the basis of one post-consolidation common share for every two pre-consolidation common shares;
- the software-as-a-service assets were transferred to the Company in exchange for \$55,000 (relating to restructuring costs) and a \$200,000 promissory note payable to ACT360 bearing interest at 6% per annum and due on the third anniversary of the promissory note;
- each option to acquire one common share of Kona Bay was deemed to be exchanged for a new option to acquire one new common share at the existing exercise price;
- each warrant of Kona Bay was deemed to be amended to entitle the warrant holder to receive one new common share for each common share that was issuable upon exercise of the warrant at the original exercise price; and
- each debenture of Kona Bay was deemed to be amended to entitle the debenture holder to receive one new common share for each common share that was issuable upon conversion of the warrant at the original conversion price.

BEXAR VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017

(Expressed in Canadian dollars)

4. CLOSING OF THE ARRANGEMENT (continued)

All expenses incurred in connection with the Agreement, the POA and related transactions are borne by the company incurring the expenses unless otherwise mutually agreed. Management of Kona Bay estimated that total expenses to be incurred by Kona Bay in respect of the Arrangement would be approximately \$95,000 for each of the Company and Hapuna, with the Company and Hapuna reimbursing Kona Bay for all costs incurred. These costs have been expensed as "Restructuring costs" by the Company.

See Notes 6, 7, 8 and 10.

5. AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

	September 30, 2018	September 30, 2017
Trade accounts receivable	\$ 32,854	\$ 34,180
Recoverable goods and services / harmonized sales tax	4,378	390
Unbilled revenue	3,097	-
	<u>\$ 40,329</u>	<u>\$ 34,570</u>

6. INTANGIBLE ASSETS

	Customer Relationships – Software Development	Customer Relationships – Hosting	Total
Cost			
September 30, 2017	\$ -	\$ -	\$ -
Transfer on closing of Arrangement	100,000	100,000	200,000
September 30, 2018	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Accumulated amortization and impairment			
September 30, 2017	-	-	-
Amortization expense	-	-	-
Impairment provision	99,999	100,000	199,999
September 30, 2018	<u>99,999</u>	<u>100,000</u>	<u>199,999</u>
Net book value			
September 30, 2017	\$ -	\$ -	\$ -
September 30, 2018	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>

Customer Relationships

The Company acquired relationships with custom test software application development and website and application hosting customers from ACT360 upon closing of the Arrangement on December 13, 2017 for a

BEXAR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND THE PERIOD FROM INCORPORATION ON JANUARY 31, 2017 TO SEPTEMBER 30, 2017

(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS (continued)

\$200,000 promissory note payable to ACT360 bearing interest at 6% per annum and due on the third anniversary of the promissory note.

Revenue relating to these assets has decreased by approximately 23% over the last three years and the Company is economically dependent on a single customer. Given that management is not in a position to be able to estimate the future cash flows attributable to the customer relationships with any degree of certainty, the assets were written down to a nominal amount of \$1 at September 30, 2018.

See Notes 4, 7 and 15.

7. PROMISSORY NOTE PAYABLE

On closing of the Arrangement, the Company executed a promissory note in favour of ACT360 in the principal amount of \$200,000 with a maturity date of December 13, 2020. Interest is calculating and accruing daily at 6% per annum from the date of issue, payable on a semi-annual basis commencing on June 13, 2018. The promissory note may be negotiated, assigned, discounted or pledged by ACT360. The amount payable consists of the following:

	September 30, 2018	September 30, 2017
Principal	\$ 200,000	\$ -
Accrued interest	9,577	-
Total	\$ 209,577	\$ -

Accrued interest payable of \$6,000 at June 13, 2018 was not paid.

See Note 4.

At September 30, 2018, the fair value of the promissory note payable was approximately \$204,000 (2017 – \$nil). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the promissory note as an asset. Present value was calculated using the following attributes – semi-annual interest payments of \$6,000, repayment of \$200,000 principal at maturity, 27 months to maturity and a discount rate of 6% discounted annually.

8. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common shares and preferred shares without par value. Common and/or preferred shares are entitled to receive dividends if and when they are declared by the Board of Directors.

During year ended September 30, 2018, the Company completed the following:

- On December 13, 2017, the Company issued 4,671,199 common shares to Kona Bay on closing of the Arrangement.
- On December 13, 2017, the Company consolidated its common shares on the basis of one post-consolidation common share for every two pre-consolidation common shares.

8. SHARE CAPITAL (continued)

- On February 28, 2018, the Company completed a non-brokered private placement of 2,400,000 Units at a price of \$0.10 per unit for gross proceeds of \$240,000. Each Unit is comprised of one post-consolidation common share and one post-consolidation common share purchase warrant, with each warrant entitling the holder to purchase one additional post-consolidation common share at \$0.10 per share for a period of five years from the date of the issue.
- On July 23, 2018, the Company completed a private placement totaling 550,000 Units at a price of \$0.10 per unit for net proceeds of \$55,000. Each Unit is comprised of one post-consolidation common share and one post-consolidation common share purchase warrant, with each warrant entitling the holder to purchase one additional post-consolidation common share at \$0.10 per share for a period of five years from the date of the issue. Share issue costs of \$2,300 were incurred in connection with this private placement.

Pursuant to an escrow agreement dated February 28, 2018, 1,386,429 common shares and 575,000 warrants of the Company were deposited with an escrow agent. 25% of the common shares and warrants were released from escrow on the Company's listing date with the Canadian Stock Exchange. At September 30, 2018, 1,039,822 shares and 431,250 warrants were being held in escrow. These shares and warrants will be released in equal instalments 6, 12 and 18 months after the listing date.

Pursuant to a subscription agreement and a voluntary pooling agreement dated February 28, 2018 (the "closing date"), 1,825,000 common shares and 1,825,000 warrants of the Company were delivered to a trustee. At September 30, 2018, 100% of these shares and warrants were being held in the pool. These shares and warrants will be released as follows: 15% on the first day of the fiscal quarter six months after the closing date, 15% on the first day of each of the next five fiscal quarters and 10% on the first day of the sixth fiscal quarter.

During year ended September 30, 2017, the Company completed the following:

- On January 31, 2017, the Company issued one incorporation share to Kona Bay.

Share Subscriptions Received

During the year ended September 30, 2018, no stock subscriptions were received.

During the period ended September 30, 2017, \$32,500 in stock subscriptions was received pursuant to private placements. These subscriptions were for:

- 250,000 Units of the Company at a price of \$0.10 per Unit for gross proceeds of \$25,000. Each unit consists of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.10 per share for a period of 60 months from the date of issue.
- 50,000 common shares of the Company at a price of \$0.15 per share for gross proceeds of \$7,500.

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9. WARRANTS

Warrant transactions related to the private placements completed during the year are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2017	-	-
Issued with private placements	2,950,000	\$ 0.10
Outstanding, September 30, 2018	2,950,000	\$ 0.10

The following table summarizes information about warrants outstanding at September 30, 2018:

Expiry Date	Exercise Price Per Share	Outstanding
February 28, 2023	\$0.10	2,400,000
July 23, 2023	\$0.10	550,000
		<u>2,950,000</u>

See Note 8.

10. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key personnel and the compensation costs for key personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The remuneration of the Company's directors and other key management was as follows during the years ended September 30, 2018 and 2017:

		2018	2017
Management salary	(a)	\$ 40,774	\$ 6,822
Consulting fees	(b)	13,500	-
Accounting fees	(c)	7,500	-
		<u>\$ 61,774</u>	<u>\$ 6,822</u>

- (a) Management salary of \$40,774 (2017 - \$6,822) was allocated by ACT360 with respect to the Company's VP of Development.
- (b) Consulting fees of \$13,500 (2017 - \$nil) were paid or accrued to a company controlled by a director of the Company.
- (c) Accounting fees of \$7,500 (2017 - \$nil) were paid or accrued to a company controlled by the Chief Financial Officer of the Company.

On December 15, 2017, the Company entered into a Management Administrative Services Agreement (the "MASA") with Kona Bay for the purpose of providing certain management and administrative services to the Company. Pursuant to the MASA:

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(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS (continued)

- The Company will pay a monthly service fee that will be reviewed and mutually agreed upon prior to the start of each fiscal year on October 1st;
- Unless otherwise agreed in writing, the MASA will terminate on September 30, 2019;
- For the period to September 30, 2018, the monthly service fee would range from \$4,000 to \$8,000 commensurate with corporate activity; and
- \$95,000 would be paid as reimbursement for Arrangement spin-out expenses.

During the year ended September 30, 2018, the Company paid \$48,000 (2017 - \$nil) to Kona Bay.

The balance due from ACT360 at September 30, 2018 consists of revenue collected by ACT360 from the Company's clients on the Company's behalf, net of expenses incurred by ACT360 on the Company's behalf.

The balance due to Kona Bay at September 30, 2018 consists of expenses incurred by Kona Bay on behalf of the Company. The balance due to Kona Bay at September 30, 2017 was the result of issuing the incorporation share to Kona Bay and the allocation of share subscriptions received by the Company to Kona Bay.

The balance due to Hapuna, a company with the CEO and directors in common, was the result of the allocation of share subscriptions received by the Company to Hapuna.

These balances are unsecured, non-interest bearing and have no specific terms of repayment.

See Notes 4 and 6.

11. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian and United States federal and provincial income tax rates:

	2018	2017
Statutory income tax rate	27.00%	26.00%
Expected income tax recovery	\$ (92,760)	\$ (13,025)
Non-deductible expenses and others	64,873	-
Change in unrecognized deferred income tax assets	(27,887)	(13,025)
Valuation allowance	27,877	13,025
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>
Deferred income tax assets:		
Non-capital and net operating losses	\$ 28,552	\$ 13,025
Intangible assets and others	78,231	-
	106,783	13,025
Unrecognized deferred income tax assets	(106,783)	(13,025)
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

BEXAR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

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11. INCOME TAXES (continued)

Deductible temporary differences:

Non-capital loss carry-forwards	\$	105,749	\$	50,097
Intangible assets and others		289,745		-
Deductible temporary differences	\$	<u>395,495</u>	\$	<u>50,097</u>

Based upon the level of historical taxable income and projections for future taxable income over the years in which the potential deferred tax assets are deductible, management has not recognized any deferred income tax assets.

Subject to certain restrictions, the Company has non-capital losses of \$105,000 available to reduce future Canadian taxable income. The non-capital losses expire as follows:

<u>Year</u>	<u>Amount</u>
2037	\$ 2,000
2038	103,000
	<u>\$ 105,000</u>

The application of non-capital losses against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

12. COMMITMENT

On December 15, 2017, the Company entered into a Consulting Agreement (the "CA") with a consultant for the purpose of serving as the Company's special projects advisor to assist the CEO with corporate development, M&A and finance as the Company executes its growth by acquisition program. Pursuant to the CA:

- The Company will pay a monthly retainer to be mutually agreed upon; and
- Either party may terminate the CA with 30 days written notice.

During the year ended September 30, 2018, the Company incurred \$42,800 (2017 - \$nil) in consulting fees.

13. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares of \$292,701. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, meet financial obligations, have sufficient capital to achieve and maintain profitable operations and to provide returns for shareholders and benefits for other stakeholders. As at September 30, 2018, the Company had working capital of \$108,624 (September 30, 2017: deficiency of \$17,596) and requires additional capital. Management expects to raise such additional capital during the current fiscal year.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company holds balances in United States dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the United States dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately \$2,500, as detailed below:

United States Dollar Denominated Balances	September 30, 2018	September 30, 2017
Trade accounts receivable	\$ 25,399	\$ 27,388
10% change in exchange rate impact	\$ 2,540	\$ 2,739

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. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and trade accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at September 30, 2018 relating to cash and cash equivalents of \$713 held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date. The Company has gross credit exposure at September 30, 2018 relating to trade accounts receivable of \$32,854. Trade accounts receivable at September 30, 2018, were due from two (2017 - one) customers. The Company considers this credit risk to be minimal.

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 policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's objective is to ensure that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company will prepare annual capital expenditure budgets which will be regularly monitored and updated as necessary.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	Between 3 & 12 months	Between 1 & 3 years	Total
September 30, 2018				
Accounts payable and accrued liabilities	\$ 19,018	\$ -	\$ -	\$ 19,018
Due to Kona Bay	-	3,559	-	3,559
Promissory note payable	-	9,577	200,000	209,577
	<u>\$ 19,018</u>	<u>\$ 13,136</u>	<u>\$ 200,000</u>	<u>\$ 232,154</u>
	Up to 3 months	Between 3 & 12 months	Between 1 & 3 years	Total
September 30, 2017				
Accounts payable and accrued liabilities	\$ 8,734	\$ -	\$ -	\$ 8,734
Due to Kona Bay	-	50,099	-	50,099
Due to Hapuna	-	25,000	-	25,000
Due to ACT360	-	21,779	-	21,779
	<u>\$ 8,734</u>	<u>\$ 96,878</u>	<u>\$ -</u>	<u>\$ 105,612</u>

15. ECONOMIC DEPENDENCE

During the year ended September 30, 2018, approximately 89% (period ended September 30, 2017 – 100%) of the Company's revenue was generated from one (2017 - one) customer. The loss of a material amount of revenue from this customer could have a material adverse effect on operations.

BEXAR VENTURES INC.

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16. EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated its activities subsequent to September 30, 2018, and has determined that there are no material events to be reported, except for the following:

On November 21, 2018, the Company closed a private placement consisting of 1,663,330 units for gross proceeds of \$166,333. Each unit consisted of one common share of the company and one common share purchase warrant entitling the holder to purchase one additional share at 10 cents per share for a period of one year from the date of issuance. The CEO of the Company purchased 150,000 units, and his participation is considered to be a related-party transaction as defined under Multilateral Instrument 61-101.