

Universal mCloud Corp.
(formerly Universal Ventures Inc.)
Consolidated Financial Statements

*For the year ended December 31, 2017 and
the period from December 17, 2016 (date of incorporation) to December 31, 2016*

Independent Auditors' Report

To the Shareholders of Universal mCloud Corp. (formerly Universal Ventures Inc.)

We have audited the accompanying consolidated financial statements of Universal mCloud Corp. (formerly Universal Ventures Inc.) which comprise the statements of consolidated financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 control 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 control. 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Universal mCloud Corp. (formerly Universal Ventures Inc.) as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern.

Calgary, Alberta
April 26, 2018

MNP LLP
Chartered Professional Accountants

MNP

Universal mCloud Corp.

(formerly Universal Ventures Inc.)

Consolidated Statements of Financial Position

(Stated in Canadian dollars, unless otherwise noted)

As at December 31,

	Notes	2017	2016
ASSETS			
Current assets			
Cash		\$ 105,759	\$ 165
Trade and other receivables	20	287,961	-
Prepaid expenses and deposits		338,404	-
Due from related party	21	50,183	-
Total current assets		\$ 782,307	\$ 165
Non-current assets			
Deposits		23,102	-
Property and equipment	7	25,165	-
Intangible assets	8	1,722,743	-
Goodwill	9	262,152	-
Total non-current assets		\$ 2,033,162	\$ -
Total assets		\$ 2,815,469	\$ 165
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and accrued liabilities	10	\$ 2,353,315	\$ -
Due to related party	21	111,651	-
Business acquisition payable	11	1,563,044	-
Total current liabilities		\$ 4,028,010	\$ -
Shareholders' equity (deficiency)			
Share capital	13	\$ 4,736,577	\$ 165
Contributed surplus		121,922	-
Deficit		(6,209,558)	-
Accumulative other comprehensive income		138,518	-
Total shareholders' equity deficiency		\$ (1,212,541)	\$ 165
Total liabilities and shareholders' equity (deficiency)		\$ 2,815,469	\$ 165

Going concern (Note 1)

Commitments (Note 23)

Subsequent events (Note 24)

Approved by the Board of Directors:

"Russ McMeekin"

Director

"Michael Sicuro"

Director

Universal mCloud Corp.

(formerly Universal Ventures Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

	Notes	2017	2016
Revenue	16	\$ 839,820	\$ -
Cost of sales	17	\$ 384,081	\$ -
Gross margin		\$ 455,739	\$ -
Expenses			
Consulting fees	22	\$ 670,249	\$ -
Salaries, wages and benefits		2,135,452	-
Sales, travel and business development		640,054	-
Research and development		533,900	-
General and administrative	17	216,955	-
Professional fees		194,713	-
Share based compensation	13	260,218	-
Depreciation and amortization	7,8	210,042	-
Change in fair value of derivative	12	283,095	-
Accretion - convertible notes and business acquisition payable	11,12	342,206	-
Total expenses		\$ 5,486,884	\$ -
Loss before other expense		\$ (5,031,145)	\$ -
Other expense			
Listing expense on reverse takeover	5	(1,178,413)	-
Net loss for the year		\$ (6,209,558)	\$ -
Other comprehensive income:			
Item that may be reclassified subsequently to net loss:			
Foreign exchange translation difference		138,518	-
Net loss and comprehensive loss for the year		\$ (6,071,040)	\$ -
Loss per share	15		
Basic		\$ (0.22)	\$ -
Diluted		\$ (0.22)	\$ -

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

Universal mCloud Corp.

(formerly Universal Ventures Inc.)

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)
At incorporation Dec 17, 2016		\$ -	\$ -	\$ -	\$ -	\$ -
Share issuance		165	-	-	-	165
Balance at December 31, 2016		\$ 165	\$ -	\$ -	\$ -	\$ 165
Issued for services		260,218	-	-	-	260,218
Issued on business combination	6	144,785	-	-	-	144,785
Convertible note conversion	12	1,083,872	-	-	-	1,083,872
Issued for cash, net	5,13	2,358,370	121,922	-	-	2,480,292
Issued on reverse take-over		889,167	-	-	-	889,167
Comprehensive loss		-	-	138,518	(6,209,558)	(6,071,040)
Balance at December 31, 2017		\$ 4,736,577	\$ 121,922	\$ 138,518	\$ (6,209,558)	\$ (1,212,541)

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

Universal mCloud Corp.

(formerly Universal Ventures Inc.)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

	Notes	2017	2016
Cash flows related to the following activities:			
Operating activities			
Net loss		\$ (6,209,558)	\$ -
Items not affecting cash:			
Depreciation and amortization	5,6	210,042	-
Shares for services	9	260,218	-
Accretion	8	342,206	-
Change in fair value of derivative	8	283,095	-
Inventory impairment		14,119	-
Listing expense on reverse takeover		1,178,413	-
Foreign currency exchange		156,140	-
Net change in non-cash working capital items:			
Trade and other receivables		\$ 319,290	\$ -
Prepaid expenses and deposits		(337,049)	-
Trade payables and accrued liabilities		1,432,127	-
Cash flows used in operating activities		\$ (2,350,957)	\$ -
Financing activities			
Proceeds from convertible notes	8	\$ 712,735	\$ -
Issuance of common shares	13	2,480,292	165
Payments on business acquisition payable	11	(768,520)	-
Payment of Universal director loan		(100,288)	-
Advances from related party	4	111,651	-
Cash flows from financing activities		\$ 2,435,870	\$ 165
Investing activities			
Acquired on business combination		15,077	-
Cash flows provided by investing activities		15,077	-
Foreign currency on cash held		5,604	-
Increase in cash		\$ 105,594	\$ 165
Cash at beginning of the year		165	-
Cash at end of the year		\$ 105,759	\$ 165

Universal mCloud Corp.

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Consolidated Statements of Cash Flows

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

1. Incorporation and operations

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 agreement with the 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"). 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 September 15, 2017, the Company acquired all of the issued and outstanding shares of Field Diagnostic Services, Inc. ("Field") (Note 6). Field operates in the United States and provides advanced enterprise software handheld energy efficiency diagnostic tools and related training, and project management services that enable more rapid and accurate servicing of heating, ventilation, and air conditioning ("HVAC") equipment decreasing energy and operational costs.

Going concern

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company generated a net loss and accumulated deficit of \$6,209,558 during the year ended December 31, 2017. As at December 31, 2017, the Company has negative cash flows from operations of \$2,350,957 and a working capital deficit of \$3,245,703. 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 and continue with expansion in the asset care market.

Subsequent to the year end, the Company was successful in closing two equity raises that provided gross proceeds of CAD\$4.2 million (Note 24(i), (ii)) and completed the acquisition of a Canadian operating company that provides artificial intelligence and 3D technology services to aerospace and military companies and signed a letter of intent to purchase a technology company with operations in the United States and Slovakia (Note 24(iii), (iv)).

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.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective on January 1, 2017.

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 26, 2018.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Universal mCloud Corp.

(formerly Universal Ventures Inc.)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

2. Basis of Preparation (continued)

Basis of consolidation

The consolidated 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 the consolidated 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.	Operating company, HVAC monitoring	United States	100%

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of Universal and mCloud Technologies (Canada) Inc. is the Canadian dollar while the United States dollar is the functional currency of mCloud and Field.

3. Significant Accounting Policies

Cash

Cash consists of bank balances with United States and Canadian financial institutions.

Foreign currencies

Transactions in currencies other than the Company's functional currency 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 translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

The financial results of operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive income.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recorded to recognize the cost of assets over their useful lives, using the straight-line method over the following useful lives:

Asset	Life
Computers and software	3 to 5 years
Office equipment and machinery	7 years
Leasehold improvements	5 years

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(Stated in Canadian dollars, unless otherwise noted)

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3. Significant Accounting Policies (continued)

When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately.

The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

Business combination

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The consideration for each acquisition is measured at the date of exchange as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Company. The identifiable assets acquired and liabilities and contingent liabilities assumed that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for, deferred income taxes, employee benefit arrangements, share-based compensation, and assets held for sale, which are measured in accordance with their applicable IFRS. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs, other than those associated with the issuance of debt or equity, are recognized in earnings as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in earnings or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured and its final settlement shall be accounted for within equity.

Goodwill

The Company measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it is inherently imprecise and requires judgement in the determination of the fair value of assets and liabilities.

Goodwill is allocated to the Company's CGUs or group of cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal.

Inventory

Inventory consist of handheld tools and parts and are stated at the lower of cost and net realizable value. Costs of inventory is determined on a standard cost basis. Net realizable value represents the estimated selling price for inventory less all estimated costs of completion and costs necessary to make the sale.

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Consolidated Statements of Cash Flows

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives which is 5 years for the customer relationships and technology assets. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Patents

It is the Company's practice to seek patent protection on processes and products. The Company capitalizes the costs incurred for patent applications filed and pending approval. Patents are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life of 15 years.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense as incurred.

In the event that lease incentives, such as deferral of cash payments, are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Universal mCloud Corp.

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Consolidated Statements of Cash Flows

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, net of sales tax, trade discounts, rebates and similar allowances.

Revenue is recognized when the criteria specific to each separately identifiable component is met and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods

- Revenue from the sale of tools is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Significant risks and rewards are transferred to the buyer when the goods are delivered and legal title has passed.

Rendering of services

Efficiency sharing

Efficiency sharing revenue represents performance incentives earned by the Company based on customers achieving defined HVAC operational efficiency levels. The Company receives a fee based on certain efficiency levels reached. Due to uncertainties surrounding the attainment of such levels, the Company recognizes efficiency sharing revenue upon receipt of performance reports or other information from the customer supporting the determination of amounts.

Training and consulting

Revenue is recognized as the services are performed.

Cost of sales

Cost of sales includes direct materials, direct labour, shipping and handling, and indirect overhead related to the sale of goods or rendering of services.

Employee benefits

Post-employment benefits

The Company does not provide post-employment benefits.

Short-term benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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Consolidated Statements of Cash Flows

(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

3. Significant Accounting Policies (continued)

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognized as an employee expense, with a corresponding increase in equity, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive loss or directly in equity respectively.

Earnings (loss) per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

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(Stated in Canadian dollars, unless otherwise noted)

For the year ended December 31, 2017 and the period from December 17, 2016 (date of incorporation) to December 31, 2016

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company's financial assets and financial liabilities are classified into the following categories:

Financial asset/liability	Classification	Measurement
Cash	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Due to related party	Other financial liabilities	Amortized cost
Business acquisition payable	Fair value through profit or loss	Fair value

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

The Company has no fair value through profit or loss, held-to-maturity or available-for-sale financial assets.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method. FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments and hedge accounting

To date, the Company has not utilized hedges or other derivative financial instruments in its operations.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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3. Significant Accounting Policies (continued)

Impairment

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the an allowance or provision for impairment account. Such a provision is established when there is reasonable expectation that the Company will not be able to collect all amounts due. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, other than inventories and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, limited such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Impairment recognized on goodwill is not reversed.

New accounting policies

There were no new IFRS or IFRIC interpretations that became effective on or after January 1, 2017 that had a material impact on the Company.

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3. Significant Accounting Policies *(continued)*

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 applies IFRS 15 Revenue from Contracts with Customers. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will come into effect for annual periods beginning on or after January 1, 2018. The Company is currently conducting its assessment and evaluation of the standard's impact on the recognition of revenue.

In July 2014, the IASB completed the final elements of IFRS 9 Financial Instruments. The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, as amended, includes a principle based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. IFRS 9 will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect the standard to significantly impact its consolidated financial statements.

4. Accounting Estimates and Judgments

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty are:

Allowance for doubtful accounts

The Company makes an allowance for doubtful accounts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when estimating the adequacy of the allowance for doubtful accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimate as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

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4. Accounting Estimates and Judgments *(continued)*

Convertible notes

The Company estimates the share price at which the convertible notes will be exchanged into common shares. Management makes a best estimate of the price based on historical prices issued to third parties and expected prices to be received from the initial public offering.

Business acquisition payable

In determining the fair value of business acquisition payable, the Company makes estimates as to the probability of the targets being met and the date such targets are met, as well as an appropriate discount rate.

Purchase price allocations

The acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property and equipment, other assets and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

Goodwill

The value in use of goodwill has been estimated using the forecasts prepared by management for the next five years. The key assumptions for the estimate are those regarding revenue growth, gross margin, discount rate and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

Judgements

Judgement is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Corporation must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

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5. Reverse Takeover

On October 13, 2017, pursuant to a merger agreement, Universal Ventures Inc. ("Universal") acquired all of the issued and outstanding shares of mCloud Corp. ("mCloud"). Total shares issued was 35,844,297 by Universal to the shareholders of mCloud, resulting in the Company's shareholders controlling Universal and therefore constituting a reverse takeover of Universal (the "Transaction"). Prior to completion of the Transaction, Universal completed a share consolidation of 2:1 resulting in a reduction of its share capital from 8,118,442 common shares to 4,059,221 common shares outstanding.

As the former shareholders of mCloud own approximately 90% of the voting shares of Universal after the transaction, and has control of the combined entity, the acquisition of mCloud by Universal was accounted for using the reverse-takeover ("RTO") acquisition method of accounting in accordance with IFRS 3 with mCloud deemed to be the acquirer of the accounting parent. The accounting information and results of operations of the legal parent, Universal, are included in the consolidated financial statements from the date of the reverse takeover.

The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Universal upon completion of the Transaction. This value represents the fair value of the number of shares that mCloud would have had to issue, being 4,041,669, for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of mCloud acquiring 100% of the shares of Universal. The percentage of ownership Universal shareholders have in the combined entity is approximately 10% based on combining 4,059,221 Universal common shares outstanding with the 35,987,153 newly issued shares of mCloud. The fair value of the Transaction is based on the transaction price of the recent shares issued to arms length parties by mCloud.

The purchase price allocation can be summarized as follows:

4,041,669 common shares valued at approximately \$0.220 (USD \$0.176) per share	\$	889,167
Total consideration	\$	889,167
Purchase price allocation:		
Net working capital deficiency	\$	(289,246)
Listing expense on reverse takeover		1,178,413
	\$	889,167

The Transaction is accounted for as a continuation of mCloud whereby new shares are issued for the net assets of Universal, including the public company listing expense which is deemed to be the difference between the consideration paid for Universal shares and the net assets of Universal. The share capital, contributed surplus and deficit of Universal are charged or credited to the share capital of the consolidated entity.

In conjunction with the RTO, the mCloud completed a private placement of 8,571,571 subscription receipts for gross proceeds of \$3,000,050 at a price of \$0.35 per receipt (the "Offering"). Each subscription receipt was automatically converted into one unit of the Company. Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant is exercisable at a price of \$0.45 per share for a period of 24 months following the closing of the Offering and will be 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 per share.

In connection with the Offering, the Agents received a cash commission of \$178,500, a corporate finance fee of \$50,000 and 510,000 compensation options ("Agent Option"). Each Agent Option will be exercisable for one common share of the Company at \$0.35 for a period of 24 months following the closing of the Offering. The value of the Agent Options is \$75,000 determined by the Black Scholes Option Pricing Model. Other costs associated with the Offering totalled \$1,076,629.

In addition, the Agents were issued 142,857 common shares at \$0.35 for services provided having a total value of \$50,000.

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6. Business Combination

On June 15, 2017, the Company acquired all of the issued and outstanding shares of Field Diagnostics Services, Inc., from arm's length parties (the "Acquisition").

Consideration given consists of:

- i. On completion of the RTO (the "Closing Date"), an amount equal to cash of USD\$1,000,000 ("RTO Closing Payment") adjusted upwards by positive, or downward by negative, working capital;
- ii. Issuance of 1,228,501 common shares of the Company at a deemed value of USD\$500,000 and,
- iii. Business acquisition payable comprised of:
 - a. USD\$1,000,000, payable no later than April 30, 2018 if revenue for the year ended December 31, 2017 is equal to or greater than USD \$2,000,000 (the "Revenue Milestone");
 - b. USD\$200,000 if the first sale of a computer application system that oversees and analyzes data ("Asset Care") to a customer (the "Initial Asset Care Milestone") occurs on or before three months from the Closing Date. If this milestone is achieved, the USD\$200,000 is payable no later than five business days from when the Company receives full or partial payment from the sale;
 - c. USD\$1,000,000 if the Asset Care is monitoring 1000 assets (the "1000 Asset Care Milestone") by December 15, 2018. If this milestone is achieved, the USD\$1,000,000 is payable no later than five business days from when the milestone is achieved; and,
 - d. USD\$1,000,000 if the Asset Care is monitoring 5,000 assets (the "5000 Asset Care Milestone") by May 20, 2022. If this milestone is achieved, the USD\$1,000,000 is payable no later than five business days from when the milestone is achieved.

At the date of acquisition, management estimated the fair value of the business acquisition payable to be CAD\$1,502,307 (USD\$1,131,000). The calculation was determined using management's best estimates of the time period in which the Asset Care Platform sales milestones are achieved, and the likelihood of achieving the USD\$2 million revenue target. The values were adjusted after considering the time value of money using a discount rate of 22.5%.

Initially, the fair value of the net assets acquired and aggregate consideration was as follows:

Fair value of net assets acquired:

Net working capital deficiency, including cash of \$15,077	(42,651)
Property and equipment	33,308
Deposits	24,457
Intangible assets – patents and trademark	187,290
Intangible assets – customer relationships	912,542
Intangible assets – technology	937,800
Goodwill	856,231

Total net assets acquired	2,908,977
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Consideration given:

Cash on RTO closing date	1,261,885
1,228,501 common shares	144,785
Business acquisition payable	1,502,307

Total consideration	2,908,977
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6. Business Combination (continued)

Subsequent to the initial accounting, it was determined that a lien existed on certain property and assets of Field. As this lien was not known at the time of the Acquisition, the Company and the vendors of Field agreed to replace the RTO Closing Payment and Business Acquisition Payable with the following cash payments (the "Revised Consideration")

- i. USD\$400,000 paid on November 17, 2017;
- ii. USD\$200,000 paid on December 8, 2017; and,
- iii. USD\$1,400,000 payable in eleven monthly installments commencing January 31, 2018 of USD\$120,000 with a final payment of USD\$80,000 payable on December 31, 2018.

The Revised Consideration is unsecured and non-interest bearing. The value of the Revised Consideration, being \$2,185,535 (USD\$1,645,362), was determined based on a market rate of interest of 22.5%. The difference between the initial Business Acquisition Payable and the Revised Consideration of \$578,658 (USD\$435,638) has been applied against goodwill.

Goodwill arising from the acquisition of Field 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.

From the period of acquisition to December 31, 2017, Field contributed revenue of \$839,820 and a net loss of \$759,260. Had Field been acquired on January 1, 2017, it would have contributed additional revenue of approximately \$1,050,500 and additional net loss of \$468,000.

7. Property and Equipment

Cost	Office equipment and machinery	Leasehold improvements	Computers and software	Total
Balance at December 31, 2016	-	-	-	-
Acquisition (Note 6)	956	24,563	7,789	33,308
Foreign currency translation	(70)	(1,143)	(575)	(1,788)
Balance at December 31, 2017	886	23,420	7,214	31,520
Accumulated depreciation				
Balance at December 31, 2016	-	-	-	-
Depreciation	138	4,773	1,444	6,355
Balance at December 31, 2017	138	4,773	1,444	6,355
Carrying amounts				
At December 31, 2016	-	-	-	-
At December 31, 2017	748	18,647	5,770	25,165

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8. Intangible Assets

Cost	Patents and Trademark	Customer Relationships	Technology	Total
Balance at December 31, 2016	-	-	-	-
Acquisition (Note 6)	187,290	912,542	937,800	2,037,632
Foreign currency translation	(10,284)	(49,761)	(51,157)	(111,202)
Balance at December 31, 2017	177,006	862,781	886,643	1,926,430
Accumulated Amortization				
Balance at December 31, 2016	-	-	-	-
Amortization	12,266	94,513	96,908	203,687
Balance at December 31, 2017	12,266	94,513	96,908	203,687
Carrying amounts				
At December 31, 2016	-	-	-	-
At December 31, 2017	164,740	768,268	789,735	1,722,743

9. Goodwill

	2017	2016
Balance, beginning of the period	-	-
Acquisition (note 6)	856,231	-
Revision to consideration (Note 6)	(578,658)	-
Foreign currency translation	(15,421)	-
Balance, end of year	262,152	-

The Company performed its annual impairment test at December 31, 2017. The Company has determined that it has one CGU, consisting of the group of assets acquired via the Field acquisition and all goodwill was allocated to the Field CGU. The recoverable amount of the Field CGU was determined based on a value in use calculation using the following key assumptions:

5 year post-tax cash flow projections expected to be generated based on financial budgets with a terminal growth rate of 2%:

- Budgeted cash flows at an average growth rate of 19% and were determined by management based on the CGU's performance and future growth prospects; and,
- Cash flows were discounted at the CGU's weighted average cost of capital of 23% based a build up model and adjusted for the risk of the CGU.

The most sensitive inputs to the value in use model are the growth and gross margin percentage. All else being equal:

- A 2% decrease in the gross margin percentage would have resulted in a reduction to the recoverable amount of \$60,000; and,
- A 5% decrease in growth rates would have resulted in a reduction to the recoverable amount of \$99,000.

Changing the above assumptions did not indicate any impairment.

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10. Trade Payables and Accrued Liabilities

	2017	2016
Accounts payable	1,079,891	-
Accrued salaries	947,943	-
Accrued liabilities	296,521	-
Other	28,960	-
	2,353,315	-

11. Business Acquisition Payable

	2017	2016
Balance, beginning of year	-	-
Acquisition (Note 6)	2,185,535	-
Payments	(768,520)	-
Accretion	254,164	-
Foreign currency translation	(108,135)	-
Balance, end of year	1,563,044	-

12. Convertible Notes

During 2017, the Company issued USD\$650,000 of unsecured convertible promissory notes ("Convertible Notes") to certain related parties. Interest on the Convertible Notes is accrued daily from the date on which the demand for payment has been made at a rate equal to 15% per annum until the Convertible Notes are paid in full.

In conjunction with the closing of the RTO, 3,346,200 common shares were issued on the conversion of the Convertible Notes for an amount of \$1,083,872 (USD\$868,000), as calculated below. The Conversion Price was determined based on an amount per share equal to the lowest price per share at which a common share was issued for cash consideration pursuant to the IPO, excluding any common shares issued from the exercise of the Convertible Notes, multiplied by 0.75.

The terms of the Convertible Notes provided settlement into a variable number of the Company's equity instruments, the value of which changes in response to the conversion price. It was therefore determined that the Convertible Notes are a hybrid instrument, with a host debt contract and an embedded derivative which should be separated from the host debt contract. As the fair value of the embedded derivative is not reliably measurable based on its terms and conditions, at initial recognition, the embedded derivative was assigned the residual value after removing the fair value of the debt component from the host contract.

The fair value of the debt component at initial recognition was determined to be \$722,908 (USD\$581,444) based on the contractual cash flows discounted at a market rate of 22.5%, resulting in \$149,717 (USD\$68,556) assigned to the derivative liability. Subsequent to initial recognition, more reliable information became available regarding the key inputs into the conversion option which allowed management to utilize the Black-Scholes pricing model to value the conversion option at the reporting periods within the year and immediately before conversion of the Convertible Notes. Key assumptions utilized in the Black-Scholes pricing model include share price between \$0.12 (USD\$0.09 to \$0.176), exercise price equal to a 25% discount of the share price and volatility of 155%. The change in fair value of the derivative liability for the year ended December 31, 2017 totalled \$283,095 (USD\$218,000) and accretion on the debt component totalled \$88,042 (USD \$62,931).

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13. Share Capital

Authorized:

Unlimited number of voting common shares

	Number of Shares	\$
Incorporation, December 17, 2016	-	-
Issued for cash	17,699,646	165
Balance, December 31, 2016	17,699,646	165
Issued for services (i)	4,998,379	14,218
Consideration for the Acquisition (Note 6)	1,228,501	144,785
Issued on conversion of promissory notes (Note 12)	3,346,200	1,083,872
Conversion of subscription receipts (Note 5)	8,571,571	1,569,921
Agent shares (Note 5)	142,857	50,000
Universal common shares outstanding prior to RTO (Note 5)	4,059,221	1,141,548
Shares issued to effect RTO (Note 5)	35,844,297	889,167
Elimination of mCloud shares and Universal equity	(35,844,297)	(1,141,548)
Shares issued for services (ii)	600,000	246,000
Shares issued for cash (iii)	2,420,000	738,449
Balance, December 31, 2017	43,066,375	4,736,577

- i) The Company issued 4,856,782 (pre-split 343,000) voting Common Shares to key management and other personnel for services rendered or to be rendered ("Unvested Shares"). In the event the relationship is terminated with the Company for any reason, the Company has the option for a period of 120 days after such date to repurchase the shares ("Repurchase Option") at the lower of (i) the par value per share or (ii) the fair market value per share of such Unvested Shares at the date of repurchase. 3/36th of the Unvested Shares will be released from the Repurchase Option and escrow every 3 months from the date of the issuance. If within one month before, or 12 months following, a change in control the individual is terminated without cause or resigns for good reason, the Repurchase Option shall lapse as to 100% of the Unvested Shares which shall immediately become fully vested.

In addition, the Company issued 141,597 (pre-split 10,000) shares to a director for consulting services rendered.

- (ii) During October 2017, the Company issued 600,000 common shares for consulting services provided. The Company valued these common shares based on the trading price of the Company's shares on the date of grant.
- (iii) On December 6, 2017, the Company issued 2,420,000 units at \$0.40 for gross proceeds of \$968,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable at a price of \$0.50 per share for 36 months after December 6, 2017, subject to accelerated expiration if the 10 day weighted average trading price exceeds \$0.80. The Agent received a cash commission of \$67,760 and was issued 169,400 agent warrants having a value of \$47,000 exercisable for 24 months for one common share at a price of \$0.40 per common share. Other share issue costs totalled \$114,791.

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 December 31, 2017, 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.

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13. Share Capital (continued)

Warrants

A summary of the Company's warrants at December 31 is as follows:

	2017			2016		
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, beginning of the year	-	-	-	-	-	-
Granted with Unit offerings	9,781,571	0.46	2.12	-	-	-
Granted to Agent	169,400	0.50	1.93	-	-	-
Balance, end of the year	9,950,971	0.46	1.93	-	-	-

14. Share Based Payments

On December 17, 2016, the Company established an equity incentive plan (the "Plan") which provides for the granting of incentive share options, nonstatutory share options, share appreciation rights, restricted share awards, restricted share unit awards, and other share awards (collectively "Share Awards") to selected directors, employees and consultants for a period of 10 years from the establishment of the Plan. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company.

The Board of Directors grants Share Awards from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of Share Awards already outstanding and overall market conditions.

The number of common shares reserved for issuance under the Plan is fixed at a maximum of 4,004,637 shares (the "Share Reserve"). Repurchase or return of previously issued shares to the Plan increases the number of shares available for issue.

The fair value of options granted during the year ended December 31, 2017 was estimated on the date of the grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. The assumptions utilized in the Black-Scholes option pricing model is as follows:

Grant date	October 13, 2017
Grant date share price	\$0.22
Exercise price	\$0.35
Expected volatility	155%
Expected life (years)	2
Expected dividend yield	0%
Risk-free interest rate	1.54%
Forfeiture rate	0%
Fair value per option	\$0.15

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14. Share Based Payments (continued)

A summary of the Company's options outstanding at December 31 is as follows:

	2017			2016		
	Number	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price	Weighted Average Contractual Remaining Life
Balance, beginning of the year	-	-	-	-	-	-
Granted to Agent	510,000	0.35	1.93	-	-	-
Balance, end of the year	510,000	0.35	1.93	-	-	-
Exercisable, end of the year	510,000	0.35	1.93	-	-	-

15. Loss per Share

Basic loss per share

	2017	2016
Loss for the period attributable to ordinary equity holders	\$ (6,209,558)	-
Weighted average number of common shares for the purposes of basic loss per share	28,304,125	-
Basic loss per share	\$ (0.22)	-

Diluted loss per share

Shares deemed to be issued are not included in the computation of diluted earnings per share, because to do so would have been anti-dilutive.

16. Revenue

The following is an analysis of the Company's revenue:

	2017	2016
Tool sales	122,716	-
Efficiency sharing	90,284	-
Training and consulting	626,820	-
	839,820	-

17. Nature of Expenses

The nature of the Company's cost of sales and general administration expenses are as follows:

	2017	2016
Salaries, wages and benefits	44,385	-
Consulting	409,355	-
Rent	70,813	-
Insurance	22,068	-
Travel and lodging	8,716	-
Utilities and maintenance	45,699	-
	601,036	-

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18. Taxes

The tax provision recorded in the consolidated financial statements differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rates to loss before tax as follows:

	2017	2016
Loss before taxes	(6,209,558)	-
Statutory income tax rate (%)	27%	-
Expected recovery at statutory rate	(1,676,580)	-
Increase (decrease) in taxes resulting from:		
Non-deductible items	528,398	-
Foreign tax rate and other foreign tax differences	667,695	-
Change in enacted rates	205,948	-
Deferred tax benefits not recognized	274,539	-
Income tax provision	-	-

The Company has not recognized a differed tax asset in respect of the following deductible temporary differences:

	2017	2016
Property and equipment	69,200	-
Intangible assets	216,190	-
Net operating losses – United States	9,821,000	-
Non-capital losses - Canada	1,360,800	-
Total deductible temporary differences	11,467,190	-

The Company has net operating losses of approximately USD\$9.8 million and non-capital losses of approximately \$1.3 million which are available to reduce future years' taxable income in the United States and Canada, respectively. The net operating losses will commence to expire in fiscal 2028 while the non-capital losses will commence to expire in 2031 if not utilized. Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, no deferred tax asset has been recorded.

19. 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:

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

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20. 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 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 convertible notes 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.

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 industry and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date.

At December 31, 2017, \$nil in trade and other receivables were written off due to doubts of their collectability.

The following table sets forth details of the aging profile of trade and other receivables and the allowance for doubtful accounts:

As at December 31,	2017	2016
Current (for less than 30 days)	222,792	-
31 – 60 days past due	52,620	-
61 – 90 days past due	6,243	-
Past due for greater than 90 days	6,306	-
Trade and other receivables	287,961	-

During the year ended December 31, 2017, 41% of revenues were generated from one customer.

As at December 31, 2017, two customers accounted for 80% of trade and other receivables, each with balances greater than 10%.

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20. Financial Instruments and Risk Management (continued)

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 December 31, 2017 based on their undiscounted cash flows:

	<1 year	1-2 years	>2years	Total
Trade payables and accrued liabilities	2,353,315	-	-	2,353,315
Due to related party	111,651	-	-	111,651
Business acquisition payable	1,756,300	-	-	1,756,300
	4,221,266	-	-	4,221,266

The Company has current assets of \$782,307 to satisfy its financial liabilities and therefore will have to generate sources of cash through positive operating cash flows and/or equity financing (Note 24) 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 United States equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities is follows:

	2017	2016
Cash	95,257	-
Trade and other receivables	273,151	-
Monetary assets	368,408	-
Trade payables and accrued liabilities	2,187,898	-
Business acquisition payable	1,563,044	-
Monetary liabilities	(3,750,942)	-
Net monetary liabilities	(3,382,534)	-

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the United States dollar and the foreign currency would impact profit (loss) for the year by approximately \$195,000 (2016 - \$nil).

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

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21. 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 2017, key management personnel compensation included in general and administrative expenses on the consolidated statements of comprehensive loss was \$942,242.

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 2017, the Company contributed \$18,851 which is included in salaries, wages and benefits on the consolidated statement of 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 initially recorded at fair value.

22. Non-recurring project investigation costs

During 2017, the Company incurred \$100,000 in research expenditures for its Asset Care wind solution software. These expenditures provided knowledge for the development of the Asset Care software, creating unique market capabilities which will be the focus of the Company going forward. It was determined that these expenditures did not qualify for capitalization as internally generated intangible assets and therefore have been expensed as consulting fees in the consolidated statements of loss and comprehensive loss.

23. Commitments

Leases

The Company leases office space under a noncancelable operating lease that expires in 2020. The future minimal annual rental payments for the next four years under the operating lease are as follows:

As at December 31,

2018	51,094
2019	104,284
2020	53,190

Master license and services agreement

The Company entered into a Master License and Services Agreement with an arm's length party (the "Licensor") for the right to license certain computer software ("Software") and develop enhancements based on this Software exclusive to the Company. If the Company utilizes the Software, monthly fees to be paid range from USD\$1 to USD\$12 per asset under care. If the Licensor causes certain events to occur, including, but not limited to, discontinues products and services, files for bankruptcy, fails to maintain the software or sells or assigns the software to a Company competitor ("Triggering Events"), and the Company decides to continue to use the Software, then the Company is obligated to pay 25% of a one-time license fee (USD\$415,000) if the Triggering Events occur prior to the Company's acceptance of a statement of work deliverables ("SOW's") and 50% of a one-time license fee if the Triggering Events occur subsequent to the Company's acceptance of the SOW's.

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24. Subsequent events and Letter of Intent

Subsequent to the end of the year the Company had incurred the following events:

- (i) 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.

As consideration for services provided the agent received:

- Cash commission equal to 7% of the gross proceeds raised; and,
 - 421,910 agent warrants. Each warrant is exercisable for one common share of the Company at a price of \$0.45 per common share until March 19, 2020.
- (ii) On February 15, 2018, the Company closed a non-brokered private placement and issued 6,010,641 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 Company has agreed to compensate finders who introduced purchasers in the Offering as follows:

- (i) a cash commission equal to 7% of the gross proceeds from the sale of Units to subscribers introduced by the finder; and
- (ii) that number of finder warrants which is equal to 7% of the number of Units sold to subscribers introduced by the finder.

All securities issued by the Company under the Offering are subject to a statutory four-month hold period expiring July 20, 2018, in accordance with applicable securities legislation.

- (iii) On March 8, 2018, the Company completed the closing of a share purchase agreement ("SPA") to acquire 100% of the issue and outstanding shares of NGRain (Canada) Corporation ("NGRAIN"). NGRain is an arms length company and provides artificial intelligence and 3D technology services to aerospace and military companies and organizations.

As considered, the Company will pay the following:

- A closing cash payment equal to \$300,000;
- 4,750,000 common shares of the Company having a deemed value of \$1.9 million;
- An employee value of \$200,000;
- Payment or receipt of the difference between actual working capital and a target working capital of nil;
- Unsecured promissory note having a principal balance of \$307,500.

The above consideration will be reduced by the principal amount of a promissory note of \$393,934 currently owned by NGRain and certain parties related to the vendors.

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24. Subsequent events and Letter of Intent *(continued)*

This acquisition will enable the Company to incorporate the NGRain technology into its services offering to maximize the performance of energy assets.

As of the date of authorization of these consolidated financial statements by the Board of Directors, the initial accounting of this business combination has not been completed and therefore the fair value of the net assets acquired cannot be determined and disclosed.

- (iv) 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.