**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**

# Consolidated Financial Statements
## For the year ended December 31, 2017

**(Expressed in Canadian Dollars)**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Block X Capital Corp. (formerly Lions Gate Metals Inc.)

We have audited the accompanying consolidated financial statements of Block X Capital Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and 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 consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 financial position of Block X Capital Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Block X Capital Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 26, 2018

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**
**Consolidated Statements of Financial Position**
*(Expressed in Canadian dollars)*

| | Note | **December 31, 2017** | December 31, 2016 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| Current | | | |
| Cash | | **4,932,737** | 1,025,475 |
| Receivable | **5** | **15,608** | 8,619 |
| Subscriptions receivable | **8** | **122,500** | - |
| Prepaid expenses | | **11,216** | - |
| | | **5,082,061** | 1,034,094 |
| Non-Current | | | |
| Reclamation deposits | **7** | **60,724** | 60,724 |
| Mineral property interests | **7** | **-** | 214,955 |
| | | **60,724** | 275,679 |
| | | **5,142,785** | 1,309,773 |
| **Liabilities** | | | |
| Current | | | |
| Accounts payable | | **121,003** | 35,246 |
| Accrued liabilities | | **12,000** | 10,000 |
| | | **133,003** | 45,246 |
| **Equity** | | | |
| Share capital | **8** | **29,805,654** | 25,953,521 |
| Shares to be issued | **8** | **334,000** | - |
| Warrant reserve | **8** | **510,576** | 283,157 |
| Option reserve | **8** | **342,656** | 125,958 |
| Deficit | | **(25,983,104)** | (25,098,109) |
| | | **5,009,782** | 1,264,527 |
| | | **5,142,785** | 1,309,773 |

**Nature of operations and going concern (Note 1)**
**Subsequent events (Note 13)**

These consolidated financial statements were approved by Board of Directors on April 26, 2018 and were signed on its behalf by:

**On behalf of the Board:**

*"Emily Davis"* Director *"Zyshan Kaba"* Director

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**
**Consolidated Statements of Loss and Comprehensive Loss**
*(Expressed in Canadian dollars)*

| | Note | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| Amortization | 6 | - | 1,166 |
| Finance fees and bank charges | | 601 | 430 |
| Consulting fees | | 48,600 | 250,000 |
| Filing and transfer agent fees | | 26,191 | 31,246 |
| Office, rent and administration | 9 | 115,251 | 74,158 |
| Professional fees | | 73,498 | 36,555 |
| Marketing | | 110,452 | 167,777 |
| Share-based payments | 8 | 286,109 | 43,594 |
| | | (660,702) | (604,926) |
| Finance income | | 155 | 134 |
| Write down of mineral property interests | 7 | (224,448) | (2,536,462) |
| Write off of accounts payable and accrued liabilities | | - | 52,136 |
| Loss on sale of investments | 4 | - | (370,846) |
| Loss on settlement of accounts payable | 8 | - | (207,724) |
| | | (224,293) | (3,062,762) |
| **Net loss for the year** | | (884,995) | (3,667,688) |
| **Other comprehensive income** | | | |
| **Items that may be subsequently classified to net loss** | | | |
| Fair value adjustment on available-for-sale investments | 4 | - | (9,686) |
| **Total comprehensive loss for the year** | | (884,995) | (3,677,374) |
| **Net loss per share** | | | |
| Basic and diluted | | (0.03) | (0.83) |
| **Weighted average number of common shares outstanding** | | | |
| Basic and diluted | | 28,264,489 | 4,426,783 |

**BLOCK X CAPITAL CORP. (formerly Lions Gate Metals Inc.)**
**Consolidated Statements of Changes in Equity**
*(Expressed in Canadian dollars)*

| | Common Shares | Share Capital | Shares to be issued | Warrant reserve | Option Reserve | AOCI | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ | $ | $ |
| **Balance at December 31, 2015** | **1,759,226** | **24,329,658** | **-** | **-** | **136,459** | **9,686** | **(21,484,516)** | **2,991,287** |
| Shares issued for cash, net share issue costs (Note 8) | 20,763,642 | 1,373,863 | - | 75,433 | - | - | - | 1,449,296 |
| Shares issued for settlement of accounts payable (Note 8) | 3,333,333 | 250,000 | - | 207,724 | - | - | - | 457,724 |
| Share-based payments (Note 8) | - | - | - | - | 43,594 | - | - | 43,594 |
| Realized loss on available for sale securities | - | - | - | - | - | (9,686) | - | (9,686) |
| Stock options expired/cancelled (Note 8) | - | - | - | - | (54,095) | - | 54,095 | - |
| Net loss for the year | - | - | - | - | - | - | (3,667,688) | (3,667,688) |
| **Balance at December 31, 2016** | **25,856,201** | **25,953,521** | **-** | **283,157** | **125,958** | **-** | **(25,098,109)** | **1,264,527** |
| Share-based payments (Note 8) | - | - | - | - | 286,109 | - | - | 286,109 |
| Shares issued for cash, net share issue costs (Note 8) | 15,027,500 | 3,432,622 | - | 227,419 | - | - | - | 3,660,041 |
| Shares issued on exercise of warrants (Note 8) | 2,675,999 | 267,600 | - | - | - | - | - | 267,600 |
| Shares issued on exercise of options (Note 8) | 500,000 | 151,911 | - | - | (69,411) | - | - | 82,500 |
| Cash received for future placements (Note 13) | - | - | 334,000 | - | - | - | - | 334,000 |
| Net loss for the year | - | - | - | - | - | - | (884,995) | (884,995) |
| **Balance at December 31, 2017** | **44,059,700** | **29,805,654** | **334,000** | **510,576** | **342,656** | **-** | **(25,983,104)** | **5,009,782** |

*(Expressed in Canadian dollars)*

| | **For the year ended December 31, 2017** | For the year ended December 31, 2016 |
|---|---|---|
| | **$** | $ |
| **Cash flows from operating activities** | | |
| Net loss for the year | **(884,995)** | (3,667,688) |
| Adjustments for: | | |
| Amortization | **-** | 1,166 |
| Share-based payments | **286,109** | 43,594 |
| Write off of accounts payable and accrued liabilities | **-** | (52,136) |
| Loss on settlement of accounts payable | **-** | 207,724 |
| Write down of mineral property interests | **224,448** | 2,536,462 |
| Loss on sale of investments | **-** | 370,846 |
| Changes in non-cash working capital items: | | |
| Receivable | **(6,989)** | 1,508 |
| Prepaid expenses | **(11,216)** | 2,711 |
| Accounts payable and accrued liabilities | **87,757** | 157,041 |
| Net cash used in operating activities | **(304,886)** | (398,772) |
| **Cash flows from investing activities** | | |
| Mineral property interests | **(9,493)** | (97,602) |
| Net cash used in investing activities | **(9,493)** | (97,602) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of shares, net of costs | **3,887,641** | 1,449,296 |
| Proceeds from subscriptions received | **334,000** | - |
| Proceeds from sale of available-for-sale investments | **-** | 54,176 |
| Net cash received from financing activities | **4,221,641** | 1,503,472 |
| **Change in cash for the year** | **3,907,262** | 1,007,098 |
| **Cash, beginning** | **1,025,475** | 18,377 |
| **Cash, ending** | **4,932,737** | 1,025,475 |

| | | |
|---|---|---|
| **Non-cash transactions:** | | |
| Shares received as mineral property option payments | - | 500,000 |
| Shares paid as mineral property option payments | - | 120,000 |
| Shares issued for services | - | 48,598 |
| Share issued for settlement of accounts payable | - | 250,000 |

## 1. Nature of operations and going concern

Block X Capital Corp. (formerly Lions Gate Metals Inc.) (the "Company") was incorporated under the Canada Business Corporations Act on March 28, 1980, and currently is in the business of acquiring and investing in companies with blockchain technology. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol "BXXX". The Company's registered and records office is located at 918 – 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2017 the Company incurred a net loss of $884,995 (December 31, 2016: $3,667,688) and as of that date the Company's deficit was $25,983,104 (December 31, 2016: $25,098,109). As at December 31, 2017 the Company had a working capital of $4,949,058 which should be sufficient to finance operating costs over the next twelve months. Additional financing may be required to acquire new projects. Future funding for projects may not be available or may be available but on terms that may not be suitable for the Company. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

## 2. Basis of presentation and significant accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on an historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

(b) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Canadian Copper & Gold Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation. Canadian Copper & Gold Corp. was inactive for the years ended December 31, 2017 and 2016.

## 2. Basis of presentation and significant accounting policies - continued

(c) Financial instruments

The Company classifies its financial instruments in the following categories: fair value through profit or loss, available for sale, loans and receivables, held to maturity, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. All financial instruments are recognized, initially, at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their respective classification.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and non-derivative financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. The Company had made the following classification of its financial instruments:

| Financial assets or liabilities | Measurement category under IAS 39 |
|---|---|
| Cash | Loans and receivables |
| Reclamation deposit | Loans and receivables |
| Accounts payable | Other liabilities |

## 2. Basis of presentation and significant accounting policies - continued

(c) Financial instruments – continued

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

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

Cash is measured using Level 1 inputs.

(d) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

Exploration costs renounced to shareholders pursuant to flow-through share subscription agreements remain capitalized, however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

## 2. Basis of presentation and significant accounting policies - continued

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company’s mineral property interest impairment policy is more specifically discussed in note 2(d) above.

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants, except where there is a related flow-through share premium, as detailed in the next paragraph. Any fair value attributed to the warrants is recorded in the warrant reserve.

**2. Basis of presentation and significant accounting policies – continued**

(f) Share capital - continued

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased by only the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. Pursuant to any flow-through share agreement the Company must renounce its flow-through share exploration expenditures to the flow-through shareholders, and the Company gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences is shown as a recovery in profit or loss in the period of renunciation.

(g) Share-based payment transactions

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as option reserve. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as option reserve are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

(h) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end, for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interest as at December 31, 2017.

**2. Basis of presentation and significant accounting policies – continued**

(i) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company.

(k) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported 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 during the reporting period. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

## 2. Basis of presentation and significant accounting policies – continued

(k) Significant accounting estimates and judgments - continued

Judgments

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting period, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values

(iii) These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption (Note 1).

(l) Comparative figures
Certain comparative figures have been adjusted to confirm to the current year's presentation.

## 3. Future and Recently Adopted Accounting Standards

***Recently adopted accounting standards***

There are no new accounting standards adopted during the current year that have a material impact on the consolidated financial statements.

***Future accounting standards***

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

- IFRS 9 - Financial Instruments; and
- IAS 15 – Revenue from contract with Customers.

The Company does not expect the implementation of these standards to have a significant impact on the Company's results of operations, financial position and disclosures.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

*(Expressed in Canadian dollars)*

## 4. Available-for-sale investments

Available-for-sale investments consist of investments in equity shares. The fair value of the publicly traded shares has been determined by reference to published price quotations in an active market. During the year ended December 31, 2016, the available-for sale investments were disposed.

During the year ended December 31, 2016, the Company received 2,500,000 Aldever Resources Inc. ("Aldever") shares as an option payment on the Poplar property and transferred 2,000,000 of the Aldever shares as option payments on the Howard Lake property (Note 7).

During the year ended December 31, 2016, the Company received proceeds of $54,176 and recorded a loss of $370,846 on sale of investments.

## 5. Receivable

| | **December 31, 2017** | **December 31 2016** |
|---|---|---|
| | **$** | **$** |
| GST Recoverable | 15,608 | 8,619 |

## 6. Equipment

| | **Computer Equipment** |
|---|---|
| | **$** |
| **Cost** | |
| **Balance, December 31, 2015, 2016 and 2017** | 4,945 |
| **Accumulated depreciation** | |
| Balance, December 31, 2015 | 3,779 |
| Amortization | 1,116 |
| **Balance, December 31, 2016 and 2017** | 4,945 |
| **Net book value** | |
| December 31, 2016 and 2017 | - |

*(Expressed in Canadian dollars)*

## 7. Mineral property interests

| | Poplar | Whitford Lake | Howard Lake | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance, December 31, 2015** | **2,651,482** | **305,000** | **77,333** | **3,033,815** |
| Acquisition costs | | | | |
| Paid in available-for-sale investments | (500,000) | - | 120,000 | (380,000) |
| | (500,000) | - | 120,000 | (380,000) |
| Deferred exploration expenditures | | | | |
| Storage | 12,058 | - | - | 12,058 |
| Claim fees | - | - | 6,160 | 6,160 |
| Consulting | 37,171 | (201) | 11,462 | 48,432 |
| Miscellaneous | 30,952 | - | - | 30,952 |
| | 80,181 | (201) | 17,622 | 97,602 |
| Write down of mineral property | (2,231,663) | (304,799) | - | (2,536,462) |
| **Balance, December 31, 2016** | **-** | **-** | **214,955** | **214,955** |
| Claim fees | | | 9,493 | 9,493 |
| Write down of mineral property | - | - | (224,448) | (224,448) |
| **Balance, December 31, 2017** | **-** | **-** | **-** | **-** |

*Poplar mineral property*

In prior years, the Company entered into various option agreements to acquire a 100% interest in certain mineral claims, known as the Poplar mineral property, situated in the Omineca Mining District of B.C. The Company has met all required cash payments and share issuances related to these option agreements.

During the year ended December 31, 2014 the Company entered into an agreement with Aldever to option a 100% interest, subject to existing net smelter royalties (“NSR”), in the Poplar property. The Company recorded an impairment of $45,038 amounting to the difference between the discounted cash flows from the agreement and the carrying value of the property at December 31, 2015.

On January 8, 2016, the Company amended its agreement with Aldever and received 2,500,000 of Aldever shares with a fair value of $500,000 (Note 4). The agreement was terminated during 2016.

On November 1, 2016, the Company entered into a sale agreement to sell the Poplar mineral property for a consideration of 10,000 Class L Redeemable, participating preferred shares of Doctors Investment Group Ltd. As the fair value of the preferred shares were not readily measurable, no value was attributed to the preferred shares. During the year ended December 31, 2016, an impairment of $2,231,663 on the Poplar property was recorded as a result of the sale of this property.

## 7. Mineral property interests - continued

*Whitford Lake mineral property*
Pursuant to the terms of an Option Agreement dated February 18, 2013, and amended on August 26, 2013, with St. Jacques Mineral Corp., the Company agreed to acquire an undivided 100% interest in the Whitford Lake Property located in the Athabasca Basin in Saskatchewan. In September 2013, the Company entered into a Whitford Lake Option Assignment Agreement with Canadian Uranium Corp. (“CanU”), which was later amended on December 1, 2013 and August 18, 2014, whereby the Company would transfer all of its interest in the Whitford Lake Option Agreement to CanU. This property is subject to a 1% NSR one half of which can be purchased by the Company for $750,000 less any NSR amounts previously paid.

During the year ended December 31, 2015, the Option Agreement for Whitford Property went into default. The Company did not extend the option agreement during the year ended December 31, 2016. Accordingly, the accumulated expenses of $304,799 were written off as at December 31, 2016.

*Howard Lake mineral property*
Pursuant to the terms of an Option Agreement dated September 18, 2014 with St. Jacques Mineral Corp. and Urania Resource Corp. (the “Vendors”), the Company can earn a 100% interest in the Howard Lake Project located on the northeast shore of Howard Lake in Saskatchewan. The property is subject to a 1% Gross Overriding Royalty (“GORR”) that has been granted to the vendors relating to the claims held by each of them. The Company may purchase half of the GORR (0.5%) from each vendor for $1,000,000.

On August 20, 2016, the Company amended its option agreement with the vendors for the Howard Lake Option Agreement. The Company can earn a 100% interest under the amended terms as follows:

- Transfer 4,500,000 common shares of CanU shares to the Vendors; (completed)
- Complete no less than $500,000 in qualifying exploration expenditures on the Property within 36 months of signing of the agreement;
- Transfer 2,000,000 shares of Aldever to St. Jacques Mineral Corp. on or before the August 31, 2016; (completed at fair value of $120,000)
- Make a cash payment of $100,000 to St. Jacques Mineral Corp. on or before the date which is 30 months following the date of signing of the agreement;
- Make a cash payment of $200,000 to Urania Resource Corp. on or before the date which is 30 months following the date of the signing of the agreement; and
- Within 5 years of the signing of the Agreement, define a NI 43-101 compliant resource of no less than 10,000,000 lbs. copper and 25,000,000 lbs. nickel on the property.

During the year ended December 31, 2017, the Company recorded a write-down of $224,448 and abandoned the Howard Lake mineral property.

The Company has reclamation deposits of $60,724 (December 31, 2016 - $60,724) relating to its mineral property interests, which management expects to be refunded.

## 8. Share capital

### a) Authorized

i) Authorized – unlimited number of common shares without par value
ii) Issued and outstanding – 44,059,700 (December 31, 2016: 25,856,201) common shares.

**b) Share issuances**

On November 18, 2016, the Company closed a first tranche of a non-brokered private placement of 13,474,996 units at a price of $0.075 per unit for gross proceeds of $1,010,625. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at an exercise price of $0.10 per share until November 18, 2018. The Company paid $15,412 in cash as broker's fee, issued 458,100 finders' shares with a fair value of $34,358 and issued 458,100 finder's warrants with a fair value of $28,629 in relation to the financing. Each finder's warrant carries the same terms as those issued for the private placement. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 0.67%; Expected life of 2 years, Expected volatility of 125% and dividend yield of nil.

On November 24, 2016, the Company closed a second tranche of a non-brokered private placement of 6,640,666 units at a price of $0.075 per unit for gross proceeds of $498,050. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at an exercise price of $0.10 per share until November 24, 2018. The Company paid $43,967 in cash as broker's fee, issued 189,880 finders' shares with a fair value of $14,241 and issued 748,840 finder's warrants with a fair value of $46,804 in relation to the financing. Each finder's warrant carries the same terms as those issued for the private placement. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 0.67%; Expected life of 2 years, Expected volatility of 125% and dividend yield of nil.

On November 24, 2016, the Company issued 1,333,333 units and 2,000,000 units at a fair value of $0.075 in consideration of settlements of accounts payable in the amounts of $100,000 and $150,000 respectively. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at an exercise price of $0.10 per share until November 24, 2018. The fair value of the share purchase warrants was determined to be $207,724 using the following assumptions: Risk-free rate of 0.67%; Expected life of 2 years, Expected volatility of 125% and dividend yield of nil.

On October 30, 2017, the Company closed a non-brokered private placement whereby it issued 10,000,000 common shares at a price of $0.20 per share for proceeds of $2,000,000. In addition, the Company issued 790,000 finders' shares with a fair value of $292,300 and 790,000 finders' warrants with a fair value of $227,419. Each warrant is exercisable to October 30, 2019 for $0.20 per share. The fair value of the finder's warrants was determined using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free rate of 1.40%; Expected life of 2 years, Expected volatility of 142% and dividend yield of nil. The Company incurred cash share issuance costs of $17,396 in relation to this private placement.

On November 16, 2017, the Company issued 2,675,999 common shares on exercise of warrants at an exercise price of $0.10 for proceeds of $267,600. On December 1, 2017, the Company issued 500,000 common shares on exercise of stock options at an exercise price of $0.165 for proceeds of $82,500. An amount of $69,411 was transferred from option to reserve to share capital upon exercise of the stock options. Included in subscriptions receivable is $82,500 of proceeds from the exercise of stock options, which was received subsequent to December 31, 2017.

On December 6, 2017, the Company closed a non-brokered private placement whereby it issued 3,887,500 common shares at a price of $0.40 per share for proceeds of $1,555,000. The Company incurred cash share issuance costs of $17,563 in relation to this private placement. Subsequent to the year-end, the Company issued 317,000 finders shares and 317,000 finders' warrants related to this private placement. Each warrant is exercisable to December 1, 2019 for $0.40 per share (Note 13).

On December 18, 2017, the Company issued 350,000 common shares at a price of $0.40 per share for proceeds of $140,000 as the first tranche of a private placement completed subsequent to December 31, 2017 (Note 13). Included in subscriptions receivable is $40,000 of proceeds from this private placement, which was received subsequent to December 31, 2017.

*(Expressed in Canadian dollars)*

## 8. Share capital – continued

### b) Share issuances - continued

During the year ended December 31, 2017, the Company received $334,000 in subscriptions towards common shares issued subsequent to year end (Note 13)

### c) Share purchase warrants

The balance of warrants outstanding and exercisable as at December 31, 2017 is as follows:

| | **Number of warrants** | **Weighted average exercise price** |
|---|---|---|
| | | $ |
| Balance, December 31, 2015 | - | - |
| Issued | 24,655,935 | 0.10 |
| Balance, December 31, 2016 | 24,655,935 | 0.10 |
| Issued | 790,000 | 0.20 |
| Exercised | (2,675,999) | 0.10 |
| Balance, December 31, 2017 | 22,769,936 | 0.10 |
| Weighted average remaining contractual life | | 0.92 years |

| | **Warrants outstanding** | | | | **Warrants exercisable** | |
|---|---|---|---|---|---|---|
| Expiry Date | Exercise Price | Warrants | Weighted Average Exercise Price | Weighted average remaining contractual life (years) | Warrants | Weighted Average Exercise Price |
| | $ | | $ | | | $ |
| November 18, 2018 | 0.10 | 12,583,097 | 0.10 | 0.49 | 12,583,097 | 0.10 |
| November 24, 2018 | 0.10 | 9,396,839 | 0.10 | 0.37 | 9,396,839 | 0.10 |
| October 30, 2019 | 0.20 | 790,000 | 0.20 | .06 | 790,000 | 0.20 |
| | | 22,769,936 | 0.10 | 0.92 | 22,769,936 | 0.10 |

### d) Stock options

The Company has a Rolling Incentive Stock Option Plan (“the Plan”) under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. Terms of the Plan, considered to be the most significant, provide that the Directors have the right to grant options to acquire common shares of the Company at a price not less than the closing market price of the shares on the date the Company grants the option, less any discount permitted by the CSE, at terms of up to ten years. The majority of stock options vest immediately on the date of grant unless otherwise required by the CSE or the Board of Directors.

*(Expressed in Canadian dollars)*

## 8. Share capital - continued

### d) Stock options - continued

On December 8, 2016, the Company granted 2,375,000 stock options to directors and consultants of the Company at an exercise price of $0.165 per common share for a period of five years ending December 8, 2021. The stock options vest as at 25% every three months after the grant date. The fair value of the options granted was determined to be $329,703 using the following assumptions: Risk-free rate of 1.07%; Expected life of 5 years, Expected volatility of 125% and dividend yield of nil. During the year ended December 31, 2017, the Company recognized share-based payment of $286,109 (2016: $43,594) in net loss.

The balance of stock options outstanding and exercisable for the years ended December 31, 2017 and 2016 is as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Balance, December 31, 2015 | 30,625 | 12.12 |
| Cancelled/expired | (24,312) | 10.56 |
| Granted | 2,375,000 | 0.165 |
| Balance, December 31, 2016 | 2,381,313 | 3.03 |
| Cancelled/expired | (6,313) | 10.56 |
| Exercised | (500,000) | 0.165 |
| Balance, December 31, 2017 | 1,875,000 | 0.165 |
| Options exercisable, December 31, 2017 | 1,875,000 | 0.165 |
| Weighted average remaining contractual life | | 3.94 years |

| | Options outstanding | | | | Options exercisable | |
|---|---|---|---|---|---|---|
| Expiry Date | Exercise Price | Options | Weighted Average Exercise Price | Weighted average remaining contractual life (years) | Options | Weighted Average Exercise Price |
| | $ | | $ | | | $ |
| December 8, 2021 | 0.165 | 1,875,000 | 0.165 | 3.94 | 1,875,000 | 0.165 |

### e) Reserves

Warrant reserve records fair value of the warrants issued as part of the units in private placement and issued for finders until such time that the warrants are exercised or expired, at which time the corresponding amount will be transferred to share capital. The reserve also records fair value of the warrant issued for services other than finders until such time that the warrants are exercised or expired, at which time the corresponding amount will be transferred to share capital or charged to deficit, respectively.

Option reserve records fair value of the stock options issued for services until such time that the options are exercised or expired, at which time the corresponding amount will be transferred to share capital or charged to deficit, respectively.

*(Expressed in Canadian dollars)*

## 9. Related party transactions

Related party transactions to former key management of the Company for the years ended December 31, 2017 and 2016 are as follows:

| | **Year ended December 31 2017** | **Year ended December 31 2016** |
|---|---|---|
| | **$** | **$** |
| Geological consulting fees | - | 11,000 |
| Office services fees | - | 54,900 |
| | - | 65,500 |

## 10. Financial instruments and risk management

Financial instrument risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

*Credit risk*
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed low.

*Liquidity risk*
Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle liabilities and obligations when they become due. As at December 31, 2017 the Company had cash of $4,932,737 and receivables of $138,108 to settle current liabilities of $133,003. Liquidity risk was assesses as low.

*Market risk*
Market risk consists of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

*Foreign currency risk*
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has no foreign exchange rate risk.

*Interest rate and commodity price risk*
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is not significantly exposed to interest rate or commodity price risk.

*(Expressed in Canadian dollars)*

## 11. Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2017 and 2016:

| | **Year ended December 31 2017** | **Year ended December 31 2016** |
|---|---|---|
| | $ | $ |
| Loss before taxes | (884,995) | (3,667,688) |
| Statutory tax rate | 26% | 26.00% |
| Expected income tax recovery | (230,099) | (953,599) |
| Non-deductible items | 67,924 | (42,062) |
| Change in estimates | 8,515 | - |
| Change in deferred tax asset not recognized | 153,660 | (995,661) |
| Total income tax recovery | - | - |

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2017 and 2016 are comprised of the following:

| | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| | $ | $ |
| Non capital loss carry forwards | 2,067,534 | 1,941,344 |
| Net capital losses | 82,090 | 92,066 |
| Exploration and evaluation assets | 1,877,039 | 1,840,974 |
| Property and equipment | 14,583 | 14,859 |
| Financing costs | 24,116 | 22,459 |
| Deferred tax asset not recognized | (4,065,362) | (3,911,702) |
| Deferred tax asset | - | - |

As at December 31, 2017, the Company has the following losses available to reduce taxes in future years: non-capital losses of approximately $7,950,000 (December 31, 2016 - $7,400,000), financing cost of $92,753 (2016: $86,382), resource pool of approximately $7,300,000 (December 31, 2016: $7,300,000), capital losses of approximately $630,000 (December 31, 2016: $708,000), and equipment of $56,000 (December 31, 2016: $57,000).

## 12. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure to finance its corporate administration and working capital for projects.

In order to maintain or adjust its capital structure the Company may issue new equity if it is available on favorable terms or finance through debt.

The Company is dependent on capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements and there were no changes in the Company's management of capital during the year ended December 31, 2017. The Company's capital structure consists of cash and shareholders' equity, which is comprised of share capital net of accumulated deficit. In order for the Company to carry out operations and pay for administrative costs, the Company will spend its working capital and intends to raise additional amounts externally as needed. There were no changes in the Company's approach to capital management during the year.

## 13. Subsequent events

On January 5, 2018, the Company issued 317,000 finders' shares and 317,000 finders' warrants related to the last private placement in 2017. The finders' warrants are exercisable at $0.40 until December 1, 2019 (Note 8).

On January 11, 2018, the Company granted 2,640,000 stock options to directors, officers and consultants of the Company, which are exercisable at $0.43 for a period of five years. The options will vest 25% every three months from the date of grant.

On January 12, 2018, the Company completed a non-brokered private placement whereby it issued 1,292,500 common shares at a price of $0.40 per share for proceeds of $517,000. In addition, the Company issued 86,000 finders' shares and 86,000 finders' warrants, exercisable at $0.40 until January 8, 2020. The Company received subscriptions of $334,000 during the year ended December 31, 2017 toward this private placement (Note 8).

On January 26, 2018, the Company paid an advance of USD $550,000 to Black Ink Research, LLC ("Black Inc") pursuant to a consulting agreement entered into on December 29, 2017, whereby Black Ink is to provide advisory services for a period of 12 months.

On February 9, 2018, the Company purchased 500,000 common shares of Building Block Technology Corp at $0.30 per share for $150,000.

On March 19, 2018, the Company purchased 625,000 common shares of Abaxx Technologies Inc. at $0.40 per share for $250,000.

On March 28, 2018, the Company acquired 12.5% of the issued and outstanding founder shares of Silota Research and Development Inc ("Silota"), consisting of $238,500 shares at $0.0001 per share for total purchase price of $24. In addition, the Company issued a convertible note to Silota of $300,000, which is non-interest bearing, due five years from the date of issuance, and convertible into common shares at a price equal to the price of common shares on the day prior to conversion, less a 20% discount. Silota's feature product, Covalent, is building tools and infrastructure to bridge decentralized blockchains with centralized databases. Covalent's technology will allow companies to quickly perform complex queries on, and derive analytics from data stored on blockchains.

In March 2018, the Company issued 2,390,556 common shares upon exercise of warrants at an exercise price of $0.10 for proceeds of $239,056.